FINANCIAL SERVICES COMMISSION OF ONTARIO

ANNUAL REPORT 2006-2007

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Message from the Chair and the Chief Executive Officer

It is an honour to present the ninth annual report of the Financial Services Commission of Ontario (FSCO). This report outlines FSCO's achievements during the fiscal year ending March 31, 2007 to support a healthy and dynamic financial services industry and enhance consumer confidence and public trust in the regulated sectors.

FSCO oversees insurance, pension plans, credit unions, caisses populaires, mortgage brokers, co-operative corporations and loan and trust companies in Ontario. These financial sectors are fundamental to the competitiveness of the economy and the financial security of individuals and families. FSCO is committed to protecting the public interest through a constructive and responsive presence in Ontario's financial services marketplace.

The regulation of financial services regulation is taking place in a complex, rapidly changing environment. The trends toward globalization of markets and consolidation of financial institutions remain unabated. As a result, convergence in the financial services industry continues, with international companies offering a range of business lines that may be subject to different regulatory regimes. These developments are blurring conventional boundaries, both between jurisdictions and between sectors.

Meanwhile, as the baby boom generation ages, the focus on wealth management and pension issues is intensifying and the need to empower and educate consumers and pension plan beneficiaries is growing. In a modern marketplace, industry stakeholders expect to deal with regulators online and consumers expect to receive information and services electronically.

FSCO is responding to these challenges by cooperating with other regulators to harmonize approaches to regulation nationally, working to modernize Ontario's regulatory framework, building the capability to measure and respond to risks, and expanding electronic communications with the industry and the public.

Modernizing Ontario's Regulatory Framework

At the provincial level, FSCO continued to support the Ministry of Finance in updating Ontario's regulatory framework to protect consumers and maintain an attractive business climate.

The *Mortgage Brokerages, Lenders and Administrators Act, 2006*, was developed with FSCO's assistance. It makes the mortgage brokering sector more accountable, strengthening consumer protection in what for many families is their most significant financial transaction – taking out a home mortgage. In 2006-2007, FSCO helped the ministry prepare a consultation draft of proposed regulations to implement the act. In close consultation with the industry, FSCO also undertook a review of proposed educational requirements for licensing as a mortgage broker or agent once the new act and regulations take effect.

Ontario's *Pension Benefits Act* has not been substantially revised in more than 20 years. In November 2006, the Ontario government appointed an Expert Commission to review the act and make recommendations to keep the pension system sustainable. FSCO is providing input and support to the review process as needed.

National Harmonization Proceeds

At the national level, FSCO is playing a lead role in coordinating financial services regulation across Canada.

During the year, FSCO participated in an initiative by the Joint Forum of Financial Market Regulators to harmonize point-of-sale disclosure for segregated funds (also known as individual variable insurance contracts) and mutual funds. The aim of this ongoing project

is to give investors a basic understanding of the risks and benefits of these popular products before they decide to buy.

The pension industry has long advocated the harmonization of pension legislation. Under the auspices of the Canadian Association of Pension Supervisory Authorities, FSCO is taking part in an initiative to develop a model pension law for consideration by governments across the country. Model regulations in non-contentious areas such as plan administration and basic entitlements were finalized in 2006-2007 with the aid of a stakeholder task force.

FSCO also made a major contribution to the Reciprocal Licensing Committee created by the Canadian Council of Insurance Regulators and the Canadian Insurance Services Regulatory Organizations. A reliance model developed by the committee was implemented in July 2006, making it easier for insurance agents and brokers to become licensed outside their home jurisdiction.

More Emphasis on Risk-Based Regulation

To respond to a rapidly changing marketplace, FSCO must utilize regulatory resources as efficiently and effectively as possible. For this reason, FSCO is increasingly adopting a risk-based approach that invests resources where they promise the highest return.

In the pension sector, FSCO has relied on a risk-based system for monitoring the funding of defined benefit plans since 2000. In 2006-2007 the screening process found $4.8 million in unpaid contributions, which have since been remitted to plans by the sponsors. During the year, the risk-based approach was extended to the monitoring of plan investment management, to better protect plans' long-term financial health. An automated risk assessment system screens filings from plans and flags concerns, and FSCO follows up as necessary with plan administrators.

The review and assessment of complaints is a cornerstone of a risk-based approach to market oversight. An initiative by FSCO and the Quebec Autorité des marchés financiers (AMF) has strengthened this regulatory function. The web-based Complaint Reporting System now provides a single window for insurance companies to report information to both regulators on each complaint received, reducing duplication. Once a critical mass of data has been compiled, it will be analyzed by the regulators to identify emerging consumer protection issues.

When FSCO finds evidence of breaches of legislation or regulations, it takes strong action. In 2006-2007, FSCO secured guilty pleas on 35 charges, resulting in fines of more than $350,000. In the automobile insurance dispute resolution system, FSCO arbitrators ordered penalties against insurers in 10 cases for unreasonably withholding or delaying the payment of benefits.

Electronic Communications Expanded

FSCO continues to tap modern communications technology to replace paper-based processes and do business more efficiently and effectively. During the year, the familiar but bulky Pension Bulletin was converted to an electronic format and distributed by email. Automobile insurers submitted 42 per cent of their rates and risk classification filings to FSCO electronically. And insurance agents are now completing all licensing transactions online.

FSCO is overseeing Health Claims for Auto Insurance (HCAI), an industry-based electronic invoice system that links health care providers and insurance companies. FSCO issued a guideline to start the rollout of the new system and create a central processing agency to receive accident benefit claim forms on behalf of insurers. Enrolment in HCAI is currently voluntary, but is expected to become mandatory for auto insurers and health care providers in early 2008. The goal is to make claims processing more efficient and effective, while generating timely data to monitor health claims costs.

Culture of Partnership

Since its inception, FSCO has fostered a culture of partnership and dialogue with stakeholders. We would like to take this opportunity to thank the many stakeholders – including insurance companies and intermediaries, pension plan members and administrators, mortgage brokers, deposit institutions, health care groups, consumers and others – who have provided input or taken part in projects over the past year. Their support has been indispensable to meeting the challenge of keeping regulation in line with changing market realities.

We also want recognize the continued excellence we see in the performance of FSCO staff, day in and day out. Their expertise and commitment are FSCO's most valuable assets.

With the ongoing support of stakeholders and employees, we are confident FSCO will continue to earn public confidence by protecting consumers and pension plan beneficiaries and supporting a healthy and competitive financial services industry.

Colin McNairn
Chair
Financial Services Commission of Ontario
Financial Services Tribunal

Bob Christie
Chief Executive Officer and
Superintendent of Financial Services
Financial Services Commission of Ontario

FSCO's Mandate, Governance and Resources

The Financial Services Commission of Ontario (FSCO) regulates insurance, pension plans, credit unions, caisses populaires, mortgage brokers, co-operative corporations and loan and trust companies in Ontario. A regulatory agency reporting to the Minister of Finance, FSCO was established by the *Financial Services Commission of Ontario Act, 1997* (FSCO Act).

Building Public Confidence

FSCO has a mandate to protect the public interest and enhance public confidence in the regulated sectors. To fulfil this mandate, it provides regulatory services that protect financial services consumers and pension plan beneficiaries, and support a healthy and competitive financial services industry. FSCO is committed to being a vigilant, fair-minded and forward-looking regulatory agency with a constructive and responsive presence in Ontario's financial services marketplace.

Structure and Governance

FSCO's structure has three parts: the Commission, the Superintendent of Financial Services and staff, and the Financial Services Tribunal.

Commission

The Commission includes five members: the Chair and two Vice-Chairs appointed by the Lieutenant Governor in Council; the Director of Arbitrations in the automobile insurance dispute resolution system, appointed by the Lieutenant Governor in Council; and the Superintendent of Financial Services appointed under the *Public Service Act*. The Superintendent is also FSCO's Chief Executive Officer (CEO).

As set out in the FSCO Act, the purposes of the Commission are to :

- provide regulatory services that protect the public interest and enhance public confidence in the regulated sectors;
- make recommendations to the Minister of Finance on matters affecting the regulated sectors; and
- provide the resources necessary for the proper functioning of the Tribunal.

The Commission meets at least quarterly. The current members and their terms are:

Colin McNairn (Chair) – August 10, 2006 to August 9, 2007
Anne Corbett (Vice-Chair) – August 10, 2006 to August 9, 2009
John Solursh (Vice-Chair) – February 25, 2005 to February 24, 2008
David R. Draper (Director of Arbitrations) – August 30, 2001 to May 2, 2009
Bob Christie (Superintendent of Financial Services and CEO) – appointed September 6, 2005.

Superintendent and Staff

The Superintendent's powers and duties include:

- administration and enforcement of the FSCO Act, 1997, and other legislation governing the regulated sectors (such as the *Insurance Act* and the *Pension Benefits Act)*
- general supervision of the regulated sectors
- responsibility for FSCO's financial and administrative affairs.

FSCO has a staff of public servants who support the Superintendent in carrying out these roles. The Superintendent may delegate any of his powers or duties. For example, the Superintendent has delegated authority to render licensing decisions to the Executive Director of the Licensing and Market Conduct Division.

A series of internal staff committees have been established on various policy and operational issues. The current committees and their functions are:

- Senior Management – provides leadership and direction on corporate administrative matters, management issues, operations and corporate strategy and tactics.
- Auto Insurance Policy – examines auto insurance policy issues and makes recommendations to the CEO.
- Licensing and Market Conduct Policy – reviews and discusses policy issues concerning licensing and market conduct and makes recommendations to the CEO.
- Pension Policy – discusses issues involving pension policy and makes recommendations to the CEO.
- Corporate Policy Coordination – coordinates policy issues across sectors; leads policy development items through the conceptual stages and coordinates flow through the FSCO committee structure to the CEO.
- Compliance Coordination – shares information between FSCO's program areas and coordinates regulatory efforts that concern market behaviour in the financial services industry.
- Audit – oversees the quality of FSCO's internal controls to ensure compliance with polices and procedures; ensures FSCO has implemented appropriate systems of internal control over financial reporting.
- Human Resources – ensures that FSCO's human resources practices, policies and initiatives are aligned with FSCO's business and organizational priorities, and provides support to management on key human resources issues.
- Local Employee Relations – fosters ongoing, effective and productive communication between FSCO and the bargaining agents.
- Health and Safety – promotes a healthy and safe work environment at FSCO in accordance with the government's Occupational Health and Safety Directive.
- Excellence – provides advice and recommendations on corporate employee initiatives – such as Above and Beyond, Bright Ideas, and Common Services Standards and Quality Service – to meet FSCO's strategic objectives and promote a culture of innovation.
- Business Continuity and Disaster Recovery Crisis Response Team – assists with the development and maintenance of FSCO's business continuity plan and ensures that FSCO's staff and assets are protected in emergencies.

Financial Services Tribunal

The Financial Services Tribunal is an adjudicative body that conducts hearings about decisions and proposed decisions of the Superintendent affecting parties in the regulated sectors. The Chair and Vice-Chairs of the Commission are also the Chair and Vice-Chairs of the Tribunal.

Human and Fiscal Resources

FSCO's offices are located at 5160 Yonge Street in Toronto. In 2006-2007, FSCO had an annual spending authority of $53.4 million. FSCO's staff remained at 484 full-time positions, consistent with the staffing level over the previous two years.

Cost Recovery

FSCO's costs are recovered from the regulated sectors through a combination of fees and assessments. Under the FSCO Act, the Lieutenant Governor in Council may assess all entities that form part of a regulated sector with respect to all expenses and expenditures incurred by the Ministry of Finance, the Commission and the Tribunal. Subject to the Minister's approval, the Commission also establishes fees for the services it provides to the regulated sectors.

Pension Sector

Following consultation with pension stakeholders, FSCO received approval in 2006-2007 to recover its costs from the pension sector through an assessment process, replacing the previous Annual Information Return filing fee. The new process comes into effect on April 1, 2007.

The goal behind this change is the accurate recovery of pension sector expenditures. Under a fee structure, cost recoveries vary from year to year, based on transaction volumes. This tends to result in either under- or over-recovery. By introducing an assessment process, FSCO can recover the exact amount of the costs required to regulate the pension sector.

Accountability Maintained

Under the FSCO Act, 1997, by June 30 each year FSCO must deliver a Statement of Priorities for the current fiscal year to the Ministry of Finance and publish it in The Ontario Gazette. FSCO's Statement of Priorities highlights key challenges facing FSCO and sets out strategic priorities and initiatives, together with a summary of the reasons for their adoption. In addition, this document includes a report-back to stakeholders on initiatives and projects from the previous year. Under the FSCO Act, FSCO is also required to file an annual report with the Minister each year.

As an agency of the Ministry of Finance, FSCO is granted spending authority each year through the government planning process, based on organizational needs and government priorities. FSCO reports to the government quarterly on the status of its spending.

FSCO's annual financial statements are audited by the Office of the Auditor General of Ontario. The audited financial statements are published in this annual report.

The Regulated Sectors in Profile

Together, the sectors regulated by FSCO comprise a sizable, dynamic and evolving industry that underpins the provincial economy and contributes to the financial security of individuals and families. The industry is a major employer, supplies funding for investment and delivers valuable services to consumers, businesses and other organizations.

Pension Plans

Many retired Ontarians and their families rely on employment pension plans for a substantial portion of their income. For employees still in the work force, pension plans often represent a significant aspect of financial planning for a secure future in their later years.

Most pension plans fall into one of the following categories:

- **Defined benefit plans** provide a predetermined level of benefits during retirement.
- **Defined contribution plans** set the amount of contributions and provide benefit payments based on the amount of pension that can be purchased with the accumulated contributions plus investment returns.
- **Multi-employer pension plans (MEPPs)**, either defined benefit or defined contribution, are established mainly in industries or trades where workers tend to change employers frequently.

In 2006-2007, the number of pension plans increased by nine per cent to 7,539 and total active plan membership increased by 0.5 per cent to 2,104,063. Active plan members are those currently paying into the plan through their own or employer contributions. Plan membership also includes pensioners and other beneficiaries.

While MEPPs represented only about two per cent of registered plans, they accounted for 45 per cent of active plan members – consistent with previous years. Defined benefit plans, both single-employer and multi-employer, represented 84 per cent of active plan members, also consistent with previous years.

Ontario's seven largest public-sector plans have a combined membership of 1,115,000 – including active members, pensioners and other beneficiaries – and $177 billion in total assets (at market value). In the private sector, the 10 largest single-employer plans have a combined membership of 191,000 and $36 billion in total assets (at market value). The five largest multi-employer plans have a combined membership of 456,000 and $6.2 billion in total assets (at market value).

Ontario-Registered Active Pension Plans and Membership

Type	*As of March 31, 2007*		*As of March 31, 2006*	
	#	*% of Total*	*#*	*% of Total*
Defined Benefit Plans	4,036	54%	3,463	50%
Members	1,538,494	43%		
Active Members	840,522	40%	848,250	41%
Pensioners and Other Benificiaries	697,972	46%		
Defined Contribution Plans	3,380	45%	3,325	48%
Members	352,438	10%		
Active Members	313,194	15%	305,234	14%
Pensioners and Other Benificiaries	39,244	3%		
Multi-Employer Plans				
Defined Benefit	82	1%	84	1%
Members	1,683,761	47%		
Active Members	926,885	44%	918,562	44%
Pensioners and Other Benificiaries	756,876	50%		
Defined Contribution	41	1%	41	1%
Members	40,024	1%		
Active Members	23,462	1%	21,903	1%
Pensioners and Other Benificiaries	16,562	1%		
Total Pension Plans	7,539	100%	6,913	100%
Total Members*	3,614,717	100%		
Active Members	2,104,063	100%	2,093,949	100%
Pensioners and Other Benificiaries	1,510,654	100%		

*Percentages do not add due to rounding.

Insurance

Ontario's insurance industry is a $33.9 billion a year business. In 2006, total premium volume increased by two per cent from the previous year. The split of the total premium dollar between life insurance and property and casualty (including automobile) insurance remained steady at 48 per cent for life and 52 per cent for property and casualty. The industry showed a strong financial position at year end, with almost all insurers reporting positive net results.

As of March 31, 2007, 394 insurance companies held licences to do business in the province. Approximately 36,771 insurance agents, 3,915 corporate insurance agencies and 1,139 insurance adjusters were also licensed.

Insurance Companies Licensed in Ontario

Business Type	*As of March 31, 2007* #	*As of March 31, 2006* #
Life	95	97
Property & Casualty	221	220
Other	78	84
Total	394	401

Direct Insurance Premium Volume in Ontario

Business Type	*2006* $ Billion	*2005* $ Billion
Life	16.2	15.8
Property & Casualty	17.3	17.1
Other	0.37	0.33
Total	33.9	33.2

Deposit Institutions, Mortgage Brokers, Co-operative Corporations

Ontario's 217 credit unions and caisses populaires held total assets of $25.2 billion as of March 31, 2007. The trend toward amalgamation continued in 2006-2007, as the total assets of credit unions and caisses populaires increased while their number decreased.

Regulatory capital* in support of deposits represented 7.21 per cent of system assets in 2007, up slightly from 7.1 per cent in 2006 and 7.08 per cent in 2005. These levels indicate a financially sound industry. Total membership in credit unions and caisses populaires remained at about 1.6 million, in line with the past few years.

Ontario Credit Unions and Caisses Populaires

Measure	*As of March 31, 2007*	*As of March 31, 2006*
All Institutions		
Number	217	225
Assets	$25.2 billion	$23.5 billion
Institutions with Assets over $10 million		
Number	153	155
Assets	$24.9 billion	$23.2 billion

*Under Ontario Regulation 76/95 under the *Credit Unions and Caisses Populaires Act, 1994*, credit unions and caisses populaires are required to maintain adequate regulatory capital, that is, capital equal to at least five per cent of total assets. This is determined by FSCO using a set of rules based upon standards developed by the Bank for International Settlements.

As of March 31, 2007, 51 loan and trust companies were registered to operate in Ontario, unchanged from a year earlier. All were federally incorporated.

During the year, the number of mortgage brokers registered in Ontario rose to 1,116 from 971. Mortgage brokers employed approximately 8,200 agents at year end, up from about 6,500 agents a year before.

There were 1,600 co-operative corporations in Ontario at year end. Twenty-one new co-operatives incorporated during 2006-2007 – seven in services, two in housing, five in development and one in farming, plus one consumer co-operative and five worker co-operatives.

FSCO at Work

FSCO delivers regulatory services to protect the public interest and enhance public confidence in the regulated sectors. The following overview covers FSCO's activities during 2006-2007 in eight key areas:

- Pension plan oversight
- Licensing and monitoring
- Enforcement
- Supporting the automobile insurance system
- Resolving disputes over automobile accident benefits
- Policy development
- Protecting consumers through information
- Getting the most from organizational resources.

Pension Plan Oversight

FSCO regulates pension plans registered in Ontario. The *Pension Benefits Act* and Regulations establish minimum standards for the administration and funding of pension plans for employees in the province. FSCO monitors and enforces compliance with the legislation and regulations to ensure plans keep the pension promise.

Under the *Pension Benefits Act*, the Superintendent of Financial Services makes regulatory decisions on various plan transactions, from initial registration to full or partial wind-up. Some of these powers have been delegated to staff. The chart below enumerates pension plan transactions processed by FSCO in 2006-2007. FSCO also processes routine pension plan filings, which totalled 21,282 during the year – up 20 per cent from 2005-2006.

When companies become insolvent, the Superintendent normally appoints a third-party administrator to ensure pension plans are properly wound up. As of March 31, 2007, FSCO was coordinating the administration of 216 plans for insolvent companies, similar to the previous year's total of 223.

Ontario

Pension Plan Transactions

Type	*2006-2007* #	*2005-2006* #
New Plans Registered		
Defined Benefit	570	574
Defined Contribution	109	11
Total	679	685
Plan Amendments Registered	2,681	2,289
Full Wind-ups Processed		
Defined Benefit	22	119
Defined Contribution	81	113
Total	103	232
Partial Wind-ups Processed		
Defined Benefit	60	52
Defined Contribution	64	38
Total	124	90
Plan Mergers/Asset Transfers Approved		
Defined Benefit	53	36
Defined Contribution	44	39
MEPP	10	4
Total	107	79
Surplus Refunds to Employers on Full Wind-up Applications		
Defined Benefit	7	13
Defined Contribution	–	–
Total	7	13

Commitment to Efficiency

FSCO has made a commitment to provide efficient pension regulatory services and is delivering on this commitment. For example, in 2006-2007 FSCO received a total of 2,757 inquiries from beneficiaries about their plans. The average response time was seven days – well below the target of 15 days.

The average cost of all pension regulatory activities combined – such as monitoring plan funding, processing transactions and filings, and responding to inquiries – met the target of $3.24 per plan member (including active members, pensioners and other beneficiaries).

Risk-Based Supervision

FSCO has adopted a risk-based approach to the supervision of pension plans to protect the interests of plan members and get the most value from regulatory resources.

Monitoring Plan Funding

Since 2000, FSCO has monitored the funding of defined benefit pension plans through an electronic database and risk-based review system. A database of actuarial information on plans is screened to identify specific plans for further analysis. The system strengthens FSCO's capacity to ensure compliance with the funding requirements under the legislation.

Highlights of risk-based monitoring of plan funding in 2006-2007 include:

- Actuarial information summary reports for 1,798 plans were entered and screened through the system.
- The system flagged possible problems with 615 of the plans screened.
- FSCO took action on 167 plans where material compliance concerns were found; compliance was achieved for most of these plans through measures by plan sponsors, administrators and actuaries; FSCO took enforcement steps on plans that remained non-compliant.
- FSCO uncovered a total of $4.8 million in unpaid contributions in respect of 14 plans, funds that have since been remitted to the plans by the sponsors.

Monitoring Plan Investment

The long-term health of pension plans depends not only on contributions but also on investment returns. FSCO's risk-based supervision has now been expanded to include the monitoring of investment management by defined benefit plans. In 2005, FSCO tested and refined a risk-based investment monitoring model. The new monitoring program was fully implemented in 2006-2007, employing an automated risk assessment system.

Highlights of the first investment monitoring cycle include:

- Investment information summary filings for 3,479 plans were received and entered into the system.
- The system flagged investment-related issues in 845 of the plans screened according to predetermined criteria.
- After reviewing issues in all flagged plans, FSCO conveyed concerns to 661 plans.
- Plan administrators were given the opportunity to take appropriate action to resolve the concerns, with FSCO following up as needed.

The goal behind the risk-based investment monitoring program is to encourage the adoption of industry best practices and promote continuous improvement in pension investment management.

Pension Regulatory Policy Initiatives

Following Up on Monsanto

In July 2004, the Supreme Court of Canada dismissed the appeal in the case of Monsanto Canada Inc. v. Superintendent of Financial Services. The court's ruling upheld the Superintendent's position that the *Pension Benefits Act* requires the distribution of surplus assets on the partial wind up of a pension plan.

FSCO's pension policies guide the administration of pension legislation. During 2006-2007, FSCO issued a further four policies dealing with issues raised by the Monsanto case. For example, one of the new policies makes clear that an employer's share of surplus resulting from a partial wind up can remain in the ongoing portion of the plan. FSCO staff continued work on an additional policy regarding the method for splitting assets across jurisdictions if the pension plan has members outside Ontario.

Approximately 300 partial wind ups were affected by the Monsanto decision. Since the ruling was handed down, 114 of these have been addressed. FSCO staff are monitoring the remaining partial wind ups to ensure they are processed in accordance with the legislative requirements.

Transfers of Assets Involving Plans with Trusts

Also in July 2004, the Supreme Court of Canada dismissed an application for leave to appeal the Ontario Court of Appeal decision in Aegon Canada and Transamerica Life v. ING Canada. The Court of Appeal's decision cast doubt on the Superintendent's authority to consent to the transfer of specific pension plan assets because they were subject to a trust. By refusing leave to appeal, the Supreme Court in effect upheld this decision. The ruling led a number of plans to withdraw their applications for consent to transfer assets between plans. In 2006-2007, FSCO developed and released a policy on the issues to be addressed when such applications are withdrawn.

The situation was complicated by the decision of the Ontario Divisional Court in March 2006 in Nolan v. Superintendent of Financial Services, generally known as the Kerry decision. The case broadened the application of trust principles to pension plans and raised more issues that may affect asset transfers. This case is under appeal. Once the Court of Appeal has made its decision, FSCO staff will assess the implications for existing pension policies.

Protecting Pension Benefits

Established under the *Pension Benefits Act*, the Pension Benefits Guarantee Fund (PBGF) protects a minimum level of benefits in most single-employer defined benefit plans registered in Ontario. This coverage applies when a plan is fully or partially wound up without assets sufficient to cover liabilities. Plan registrants pay an assessment into the fund.

The Superintendent is responsible for the administration of the PBGF and the investment of its assets. Financial statements for the PBGF may be found on pages 57-68 of this annual report.

Pension Benefits Guarantee Fund

Claims Paid	*2006-2007*	*2005-2006*
Number	14	25
Total Value*	$36,964,765	$196,649,353

* The total values are reported on a cash basis.

Pension e-Bulletin Launched

FSCO is committed to continuous improvement in service delivery. During the year, FSCO staff converted the thrice-yearly Pension Bulletin to an electronic format, with the first edition of the Pension e-Bulletin released in September 2006.

The e-Bulletin is delivered to subscribers by email and also posted on FSCO's website. It provides comprehensive information about the Superintendent's regulatory activities, matters before the FST, court cases, prosecutions and items of general interest. The electronic format is searchable and easy to navigate and also saves the cost of producing and delivering paper copies.

Pension stakeholders can find out about developments between e-Bulletins by visiting a new page on FSCO's website called Pension Bulletin Online, also introduced in 2006-2007. It is updated on an ongoing basis as pension-related matters occur at FSCO. Users can also sign up for the Pension e-Bulletin through this web page.

Access to Locked-In Accounts

In general, locked-in savings transferred from pension plans can be used only to provide retirement income, normally after age 55 and on other conditions. However, individuals may obtain special access to their locked-in accounts if they are facing specific types of financial hardship. FSCO processes applications for the Superintendent's consent to financial-hardship unlocking.

Financial Hardship Unlocking Applications Processed

Applications	*2006-2007* #	*2005-2006* #
Received	10,764	10,163
Approved	9,601	9,062
Refused	4	1

Licensing and Monitoring

FSCO licenses and registers individuals and enterprises to provide financial services. It also monitors market conduct and compliance with legislation and regulations. These regulatory services are designed to protect consumers and support a healthy and competitive industry.

Applications Processed Quickly

In 2006-2007, FSCO received more than 27,000 licensing, registration and other applications respecting the provision of financial services. Applicants who wish to practice in the industry must meet requirements under the relevant statutes, which may include a qualifying examination and continuing education.

FSCO again surpassed its service target for processing applications for insurance agent licences or renewals. During the year, 98 per cent of complete and accurate applications were processed within five business days, exceeding the target of 85 per cent.

Increased use of FSCO's Internet application system – Licensing Link – contributed to the fast turnaround time by eliminating inefficient, paper-based processing. In July 2006 it became mandatory for insurance agents

to complete all licensing transactions online via Licensing Link, which is available 24 hours a day, seven days a week. In all, approximately 92 per cent of life agent licence renewals in 2006-2007 were processed over the Internet – up from 48 per cent a year earlier. The totals include agents moving from sponsored agent status (Level I) to unsponsored agent status (Level II).

Licensing and Registration Activity

Activity	*2006–2007* #	*2005–2006* #
Individuals		
New Licences Issued		
Life insurance agents	4,015	3,776
General insurance agents	861	865
Accident and sickness insurance agents	254	297
Insurance adjusters	89	83
Licences Renewed		
Life insurance agents*	14,134	7,581
General insurance agents*	2,324	2,215
Accident and sickness insurance agents	151	148
Insurance adjusters	874	1,026
Moves from Life Agent Level I to Level II	2,078	1,925
New Registrations Issued		
Statutory Accident Benefits Schedule representatives	28	19
Corporations		
New Licences Issued		
Life and general insurance agencies	327	329
Corporate insurance adjusters	2	7
Insurance companies	10	10
New Registrations Issued		
Mortgage brokers	329	312
Loan and trust companies	1	1
Licences Renewed		
Life and general insurance agencies*	2,146	1,064
Corporate insurance adjusters	90	108
Registrations Renewed		
Mortgage brokers	620	659

Activity	*2006–2007* #	*2005–2006* #
Co-operatives		
Offering Statements	15	15
New Incorporations	21	27
Dissolutions/Cancellations	3	4
Conversion to Corporation	1	–
Credit Unions/Caisses Populaires		
New Incorporations	–	–
Applications to Change Line of Business	332**	125
Mergers	4	15

* Licenses are issued for a two-year term. There are high-year and low-year renewal cycles; 2006-2007 was a high year.

** Due to amendments to O.Reg. 76/95, all credit unions and caisses populaires were deemed either class 1 or class 2, depending on their asset size and whether they intended to continue making commercial loans. As a result, 221 new lending licences were sought and issued.

Building Public Confidence in the Marketplace

In fulfilling its mission to enhance public confidence in the industry, FSCO takes a forward-looking, proactive approach to oversee the marketplace and ensure compliance with legislation and regulations. FSCO monitors the solvency of financial institutions, assesses industry business practices and responds to complaints.

FSCO employs a range of tools in this oversight role. Staff analyze industry filings, conduct surveys, evaluate media reports, audit applications, arrange for police checks, review complaints and perform desk and on-site examinations. Where deficiencies are found, FSCO can require the institution or intermediary to implement a compliance plan or can issue an order or undertake a prosecution.

Monitoring Financial Compliance

FSCO monitors the solvency of Ontario-incorporated insurance companies, credit unions and caisses populaires through a risk-based process. The goal is to ensure the ongoing financial health of companies and institutions so obligations to policyholders and depositors can be met.

FSCO targets examinations based on the assessment of risk profiles, financial condition, risk management systems and prior compliance record. In all, 24 solvency examinations were conducted during the year. From a prudential perspective, FSCO found a high degree of compliance with a low risk of financial failure. Issues raised were addressed in a timely manner.

FSCO also performed 27 examinations of pension plans in 2006-2007, including two large multi-employer plans. Staff continued efforts to document the business process for risk-based pension examinations and develop new examination working papers. These tasks are expected to be completed in 2007-2008. A more effective examination process will lead to stronger pension plan governance and improved protection of beneficiaries.

Monitoring Business Practices

FSCO has intensified the monitoring of market practices in the automobile insurance industry. In 2006-2007, FSCO conducted several company reviews to assess insurers' compliance with various orders issued by the Superintendent and undertakings accepted by the Superintendent. In addition, FSCO conducted the first-ever review of a preferred provider network established by an insurer to deliver medical treatment to accident victims. The aim was to assess compliance with requirements under the Statutory Accident Benefits Schedule and determine how closely the program adhered to industry best practices.

A mortgage broker project began in November 2006, with the goal of reducing unlicensed activity and increasing public awareness of this problem. More than 232 letters of censure were issued as a result of the project and enforcement action is under consideration in several cases. FSCO representatives discussed the issue of unlicensed activity at the annual meetings of industry associations.

Responding to Consumer Complaints

Complaints reflect customer dissatisfaction and can signal market conduct issues. This is why the review of complaints is a key priority in a risk-based approach to market oversight. In fairness to all parties, supervisory responses are undertaken only if corroborating information is found.

In Ontario, each insurance company is required to engage an independent third party to review unresolved complaints. Most insurance companies are members of an ombudservice established by the industry. For companies that are not members of an ombudservice, FSCO is normally the independent third party.

FSCO oversees the operation of this system to ensure that all insurance complaints are addressed professionally, quickly and with recourse to an independent body. FSCO also provides consumers with a final avenue for resolving complaints not settled through the industry process. Moreover, FSCO itself inquires into complaints alleging non-compliance with legislative or regulatory requirements in any of the regulated sectors.

FSCO and the Quebec Autorité des marchés financiers (AMF) have worked with the insurance industry to develop a harmonized process for collecting and reporting data on complaints. The new web-based Complaint Reporting System for life and health and property and casualty insurers was rolled out in early spring 2006. It provides a single window for companies to submit biannual reports to both regulators, reducing duplication. Insurers are required to report information on the nature and disposition of each complaint they receive.

The regulators will analyze the data to identify emerging issues as part of a risk-based approach to regulation. In-depth analysis will begin in 2007-2008 once a credible volume of data has been compiled. Industry response to the system has been positive, and other Canadian regulators have expressed interest in participating.

To be allowed to represent a claimant for statutory accident benefits (SABS), someone who is not a lawyer must file a declaration with FSCO and meet other requirements. In 2006-2007, FSCO reviewed 36 complaints and reports of misconduct about SABS representatives to protect claimants from unqualified and dishonest practitioners.

Market Conduct Monitoring Activities

Activity	*2006-2007* #	*2005-2006* #
Examinations Conducted		
Insurance Companies - Solvency	24	27
Pension Plans	27	31
Mortgage Brokers	31	39
Credit Unions/Caisses Populaires	3	3
Police Checks of Insurance Agent Licence Applications	**7,242***	**23,060**
Life Insurance Agent Audits		
Continuing Education	50	0
Errors & Omissions Insurance	2,045	1,996
Statutory Accident Benefits Schedule (SABS) Representatives Audits		
Errors & Omissions Insurance	20	20
Complaint Reviews		
Insurance Companies	87	186
Insurance Agents	194	298
Mortgage Brokers	81	87
Credit Unions	64	15
Loan & Trust Companies	3	2
Co-operatives	–	–
SABS Representatives	36	24
Health Care Providers	4	5

* FSCO has become more selective in the use of police checks.

Enforcement

Through its monitoring of the regulated sectors, FSCO may uncover some matters that require further probing. FSCO investigates allegations of misconduct, unfair practices and non-compliance with legislation or regulations, and takes enforcement action – including prosecution or administrative measures – if warranted.

Offenders Prosecuted

FSCO prosecuted 23 individuals and companies during the year. Guilty pleas were secured on 35 charges, resulting in fines of $356,205. These totals were up from 11 prosecutions, guilty pleas on 18 charges, and $97,350 in fines the year before.

The 2006-2007, court cases dealt with offences such as: acting as an insurance agent while unlicensed, acting as a life insurance agent without errors and omissions coverage, providing false information under the *Mortgage Brokers Act*, and failure to remit pension contributions in accordance with the *Pension Benefits Act*. In cases under the *Insurance Act*, the courts imposed fines totaling $320,000 against three insurance companies that pleaded guilty to charges of unlicensed activity.

Cease and Desist Orders

In 2006-2007, FSCO inquired into several allegations that automobile insurance rates not approved by the Superintendent were being used. These investigations led FSCO to issue a cease and desist order against an insurer that was charging unapproved rates on private passenger automobile insurance policies.

Three further cease and desist orders were also issued: one to stop the solicitation of loan and trust business while not registered under the *Loan and Trust Corporations Act*; and two against insurers for committing an unfair or deceptive act or practice.

Insurance Licensing Cases

Most matters involving the licences of insurance agents and adjusters are resolved by minutes of settlement, without a hearing. For example, 53 life agents surrendered their licences as a result of FSCO's 2,000-plus audits of errors and omissions coverage during the year.

If necessary, Advisory Boards hold hearings and then make recommendations to the Superintendent on whether to grant or refuse a new licence or revoke or suspend an existing licence. Each board includes an agent or adjuster representative, an insurer representative and a Superintendent's representative. Two Advisory Board hearings were held in 2006-2007, compared with 14 the previous year.

Arbitrators Impose Penalties

FSCO offers dispute resolution services to resolve automobile accident benefits claims as an alternative to the courts. (See the section on Resolving Disputes over Automobile Accident Benefits later in this report.) At the end of an arbitration or appeal hearing, a FSCO arbitrator or appeals officer may impose penalties under the *Insurance Act*. A special award may be made against an insurer that has unreasonably withheld or delayed the payment of benefits, and a person representing an insured person or insurer can be ordered to pay expenses personally in certain situations.

In 2006-2007, arbitrators ordered penalties against insurers in 10 cases (up from eight the previous year) and against representatives in two cases (down from eight the previous year).

Enforcement Actions

Type	*2006–2007* #	*2005–2006* #
Insurance Agents		
Licences Revoked	18	13
Licences Surrendered	53	40
Licences Suspended	3	12
Letters of Censure	166	89
Revocation of Agent Sponsorship	1	
SABS Representatives		
Delisted	53	81
Minutes of Settlement	4	4
Letters of Caution	4	8
Dispute Resolution Penalties		
Special Awards against Insurers	10	8
Expense Orders against Representatives	2	8
Cease and Desist Orders	4*	13**
Prosecutions Completed	23	11

* Two of the four orders were permanent orders and one was an interim order that became permanent.

** Six were final orders and seven were interim orders that became permanent.

Supporting the Automobile Insurance System

FSCO has significant regulatory responsibilities concerning automobile insurance, which is compulsory for Ontario drivers. FSCO offers policy advice on the regulatory framework, works with insurers and other stakeholders to make the system more responsive and efficient, reviews and approves premium rates, and operates a claims fund for victims of accidents involving uninsured or unidentified vehicles.

Automobile Insurance Reform Ongoing

During 2006-2007, FSCO continued to work with the Ministry of Finance and stakeholders to develop further automobile insurance reforms to stabilize costs, lower premiums and protect consumers.

PAF Guideline Project

In 2005, FSCO undertook a project to revise the Pre-approved Framework (PAF) Guidelines for the treatment of Whiplash Associated Disorder Grade I and II (WAD I and II) injuries under the Statutory Accident Benefits Schedule (SABS). The project is designed to speed up access to rehabilitation for people injured in auto accidents while improving the utilization of health care services. The new guidelines are also intended to create more certainty around cost and payment for insurers and health care providers. The PAF Guideline Project has involved extensive research and consultation with the insurance industry, the health care sector, lawyers and consumer groups.

A background paper summarizing the scientific literature related to the assessment and treatment of minor whiplash injuries was posted on the FSCO website in October 2006. Draft PAF Guidelines were posted for comment in late February 2007. Final guidelines are scheduled to be released in summer 2007 and take effect in the fall. The final version will set out the goods and services that may be provided to insured persons who have sustained these injuries and the goods and services for which the insurer will pay.

New Health Claims System Rolls Out

FSCO has overseen development of the Health Claims for Auto Insurance (HCAI) system, which enables the electronic exchange of claims information between health care providers and insurance companies. An industry-based electronic invoice system, HCAI is expected to improve the efficiency and effectiveness of claims processing.

The system will also generate timely data to monitor the performance of the automobile insurance industry. The escalating cost of health claims is a major factor in the cost of automobile insurance. To support further reforms, more accurate and comprehensive data on health care costs is essential.

FSCO issued a guideline to start the rollout of the new system and create a central processing agency (CPA) to receive accident benefit claim forms on behalf of insurers. The forms are submitted to the CPA by health care providers on behalf of claimants. The CPA also enables insurers to communicate claims approval and payment decisions to health care providers. Information contained in the claims forms will be stored by the CPA as anonymized data.

The rollout guideline took effect April 2, 2007 and initially applies only to insurers and health care providers who have enrolled in HCAI. It is expected that all insurers and health care providers will be required to participate by early 2008.

New Policy on Lapsed Driver's Licences

In August 2006, FSCO released a new policy that restricts automobile insurers' use of administrative lapses or suspensions of a driver's licence in underwriting or setting rates. An administrative lapse or suspension is one that is not connected to a driving offence. The situations covered include the expiry of a driver's license due to oversight, temporary medical conditions, unpaid parking tickets or outstanding payments to the Motor Vehicle Accident Claims Fund.

Best Practices for Preferred Provider Networks

Some insurers have established preferred provider networks (PPN) to deliver medical and rehabilitation services to claimants who have sustained certain types of injuries in motor vehicle accidents. In December 2006, FSCO issued a bulletin recommending best practices for the provision of medical treatment through an insurer's PPN. The bulletin reflects best practices that currently exist in the insurance industry. FSCO continues to monitor PPNs on an ongoing basis from a consumer protection standpoint.

Law Society to Regulate SABS Representatives

Currently, SABS representatives must file a declaration with FSCO confirming they have met the requirements of the *Insurance Act* and agree to adhere to a code of conduct issued by the Superintendent.

With the passage of the *Access to Justice Act, 2006*, independent paralegals who provide legal services in Ontario will be regulated by the Law Society of Upper Canada. FSCO has been working with the Law Society on the transition of SABS representatives to the regulatory oversight of the Law Society.

Rate Review Protects Consumers

Before changing their premium rates, risk classification systems or underwriting rules for denial of coverage, Ontario automobile insurers must obtain FSCO's approval.

The review of auto insurance rates is one of FSCO's key consumer protection roles. FSCO's goal is to ensure that rate changes are reasonable and justified, and that the rates insurers charge are in balance with their ability to meet future claims costs. In 2006-2007, FSCO's rate review process saved Ontario drivers an estimated $92 million, based on the difference between rates as originally filed and finally approved.

Overall, approved rates for Ontario private-passenger auto insurance decreased in the first two quarters of 2006-2007 and increased slightly in the last two quarters. The combined change in approved rates for 2004, 2005, 2006 and the first quarter of 2007 was a decrease of 14.19 per cent.

The Canadian Loss Experience Automobile Rating (CLEAR) system groups vehicles by their actual claims experience so rates can be accurately aligned with risks. The Superintendent required insurance companies that use the system to submit rate filings reflecting the 2006 CLEAR vehicle rate group tables by September 2006.

FSCO launched its auto insurance e-filing system – the Automated Rates and Classifications Technical Information Communication System (ARCTICS) – industry-wide in May 2005. Over the rest of 2005-2006, approximately 18 per cent of insurer filings were submitted electronically. In 2006-2007, after further insurer training and enhancements to the system, the level of use increased sharply with 42 per cent of filings done through ARCTICS during the year. The web-based system benefits both insurers and FSCO by making communication more efficient, consistent and reliable.

In late 2006, FSCO released updated rate and risk classification filing guidelines, along with updated technical notes and FSCO benchmarks. The last set of comprehensive guidelines was released in 2001. The revised guidelines reflect regulatory or legislative changes since then as well as clarifying the information required in the filing process.

Ontario

Automobile Insurance Rate Filings Processed

Private-Passenger Automobile	***2006–2007***				***2005–2006***			
	Major Filings #	***Simplified Filings #***	***CLEAR Filings #***	***Total #***	***Major Filings #***	***Simplified Filings #***	***CLEAR Filings***	***Total #***
Rate filings processed	42	29	52	**123**	31	22	58	**111**
Filings with rate increases	12	–	–	**12**	6	–	–	**6**
Filings with rate decreases	23	12	10	**45**	20	19	49	**88**
Filings with no change to rate levels	7	17	42	**66**	5	3	9	**17**
Average Number of Days to Review and Approve Filings*	90**	13	11	**38**	10	11	24	**18**

* Average number of days calculated differently where filing made under *Automobile Insurance Rate Stabilization Act, 2003* (Bill 5) in 2005-2006.

** Higher average in 2006-2007 reflects increased number of original filings with rate increases, requiring further discussion with insurers.

Non-Private-Passenger Automobile	***2006-2007 #***	***2005-2006 #***
Rate Filings Processed	61	190
Filings with Rate Increases	19	33
Filings with Rate Decreases	26	109
Filings with No Change to Rate Levels	16	48
Average Number of Days Between Receipt of Filing and Filing Considered Complete	18	42
Average Number of Days to Review and Authorize Filings	19	18

Last-Resort Coverage for Accident Victims

The Motor Vehicle Accident Claims Fund (MVACF) provides compensation to victims of automobile accidents involving uninsured or unidentified vehicles, where no other insurance coverage is available. The fund is administered by FSCO.

MVACF is financed by levy of $15 (three dollars per year) on the issuing or renewal of each five-year Ontario driver's licence. MVACF also recovers third-party liability payments from uninsured motorists found responsible for accidents, and arranges for the suspension of the driver's licences of those in default.

In 2006-2007, MVACF paid out $18 million in claims, leaving outstanding claims liabilities of $174.5 million at year end. The total payout was almost twice the amount paid out in the previous year. Claims liabilities at the end of 2005-2006 totalled $141.2 million. MVACF periodically settles large SABS claims. Depending on the timing of opportunities to resolve these claims, cash payouts will continue to fluctuate from year to year.

MVACF's financial statements appear on pages 69-80 in this annual report.

Ontario

Motor Vehicle Accident Claims Fund

Measure	*2006–2007*	*2005–2006*
New Claims Reported (#)	546	508
Total Cash Payouts	$18 million	$9.2 million
Total Statutory Accident Benefits Claims Paid (#)	442	408
Total Statutory Accident Benefits Payments	$13.3 million	$5.1 million
Total Third Party Liability Claims Paid (#)	111	126
Total Third-Party Liability Payments for Bodily Injury and Property Damage	$4.7 million	$4.1 million
Collection of Repayments	$1.5 million	$1.7 million
Suspended Driver's Licences (#)	355	492
Reinstated Driver's Licences (#)	233	305
Repayments Processed (#)	8,730	9,508
Debtors Making Payments (#)	995	1,078
Active Accounts Receivable (#)	1,294	1,488

Resolving Disputes over Automobile Accident Benefits

FSCO helps claimants and insurance companies resolve automobile accident benefits disputes as an alternative to the courts. To do this, FSCO provides a range of fair, timely and cost-effective services including mediation, arbitration, neutral evaluation, appeal, and variation or revocation.

Mediation at FSCO is the mandatory first step in resolving a dispute about a claimant's entitlement to accident benefits or the amount of benefits that should be paid. An impartial FSCO mediator assists the parties to find a mutually acceptable solution. If mediation is unsuccessful, the claimant can take the dispute to arbitration at FSCO or commence a court case, or both parties can agree to send the dispute to private arbitration.

The decision of a FSCO arbitrator is binding on the parties. However, either party can appeal an arbitrator's order to FSCO's Director of Arbitrations on a question of law. A decision of the Director or delegate cannot be appealed, although judicial review may be available. FSCO's variation or revocation process applies where the insured person's condition has changed, new evidence has arisen or the order contains an error.

Mediation and Arbitration Trends

Mediation Applications Up

After two years of declining mediation applications, the volume increased slightly in 2006-2007 with applications up nearly 3 per cent from 2005-2006. Designated assessment centres, which conducted impartial assessments of auto accident injuries, were eliminated in March 2006, possibly contributing to the increase in mediation applications.

The settlement rate for mediation remained high. Fifty-six per cent of cases were either fully or partially settled, compared with 53 per cent the year before.

The number of pending mediation files rose during 2006-2007 but remained within manageable levels. This growth was largely due to an internal balancing of resources with the arbitration area, where a substantial backlog had accumulated.

Arbitration Applications Down

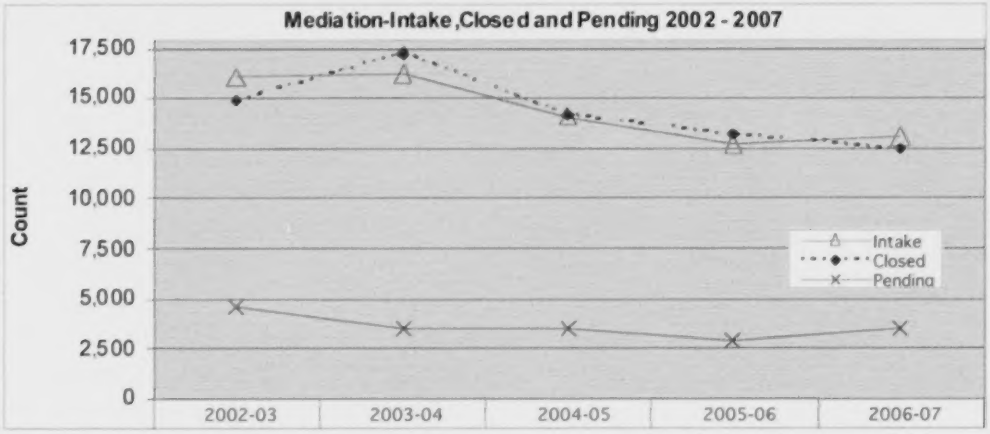
A sharp and unexpected increase in arbitration applications started in early 2004. The 3,100 arbitration applications in 2005-2006 represented a 78 per cent increase from the 2002-2003 level. Despite FSCO's significant efforts to keep pace, reflected in more closed files, pending arbitration files increased substantially during this period.

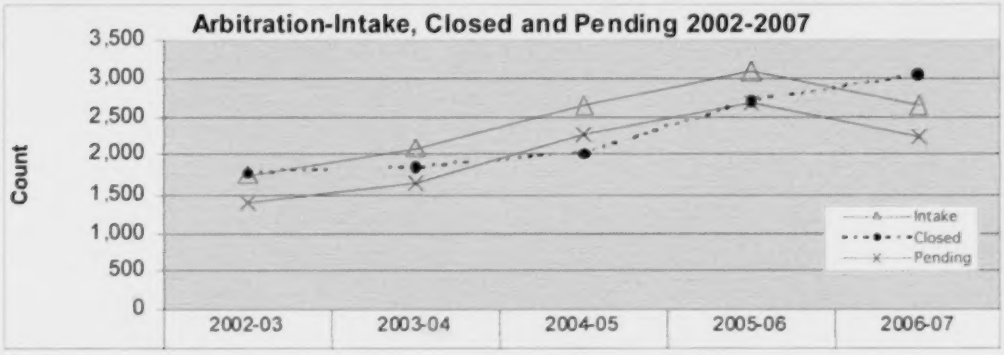
In 2006-2007, the number of arbitration applications decreased 15 per cent, returning to 2004-2005 levels. It appears the earlier downturn in mediation cases has begun to affect arbitration volumes. The reduction in new applications, combined with ongoing efforts to reduce the backlog, led to a sharp drop in pending arbitration cases.

Once hearings were held, FSCO continued to release most arbitration decisions on time. Sixty-nine per cent of decisions were issued within the published time frame of 85 days after the conclusion of the hearing, up from 66 per cent the previous year. The median time for issuing a decision was 44 days, compared with 56 days the year before.

Wide-Ranging Decisions

All FSCO arbitration and appeal decisions are posted on FSCO's website. FSCO arbitrators and appeals officers released many significant decisions during 2006-2007, interpreting various aspects of the *Insurance Act* and the Statutory Accident Benefits Schedule. Examples of issues addressed include: the meaning of "accident," the scope of the exclusion for driving without a valid driver's licence, the interpretation of the pre-approved framework provisions, the effect of being a minor on statutory time limits, whether childcare expenses can be claimed as a medical-rehabilitation benefit, the scope of attendant care benefits for institutionalized claimants, and whether a separated spouse can claim death benefits.





Dispute Resolution Services Activities

Measure	*2006-2007* #	*2005-2006* #
Mediation		
New applications received	13,053	12,724
Cases closed	12,498	13,212
Settlement rate — full	39%	36%
Settlement rate — partial	17%	17%
Arbitration		
New applications received	2,645	3,100
Cases closed	3,056	2,699
Settled	2,817	2,484
Decisions issued	217	177
Appeals		
New applications received	42	44
Cases closed	21	45
Settled	2	7
Decisions issued	15	18

Policy Development

FSCO's role in policy development has two dimensions. FSCO makes recommendations to the government for changes to the regulatory framework that reflect market trends, providing expert support to government policy-makers as needed. FSCO also develops regulatory policy to guide the ongoing administration of the legislation in its mandate.

In shaping policy, FSCO depends on open lines of communication with the industry, consumers and other stakeholders. Regular consultations take place through both advisory committees and more informal channels. Continuing stakeholder input assists FSCO to identify emerging issues and propose workable solutions.

National Regulatory Coordination

To align regulation with market realities, FSCO strongly supports the harmonization of regulatory efforts nationwide, both across jurisdictions and across sectors. FSCO takes a leadership role and provides staff support for: the Canadian Council of Insurance Regulators (CCIR), the Canadian Association of Pension Supervisory Authorities (CAPSA), the General Insurance Statistical Agency (GISA) and the Joint Forum of Financial Market Regulators (Joint Forum). The Joint Forum includes representatives of CCIR, CAPSA, the Canadian Securities Administrators (CSA) and the Canadian Insurance Services Regulatory Organizations (CISRO).

Joint Forum Highlights

The Joint Forum has established a series of strategic priorities to improve the financial services regulatory system by better harmonizing, simplifying and coordinating regulatory approaches. These priorities

are: intermediary regulation; consumer redress; regulatory mechanisms for improved information sharing; consumer information and education; and product regulation. FSCO leads or participates in ongoing Joint Forum projects on each of these priorities.

During the year FSCO continued to participate in a Joint Forum initiative on assessing and harmonizing point-of-sale disclosure for segregated funds (also known as individual variable insurance contracts) and mutual funds. The goal is to ensure that investors have a basic understanding of the risks, benefits and costs of these functionally similar products before they decide to buy a fund.

Three industry-level ombudservices provide Canadian financial services consumers with complaint resolution services: the Ombudsman for Banking Services and Investments, the Canadian Life and Health Insurance OmbudService and the General Insurance OmbudService (for property and casualty insurance). In 2006-2007, FSCO was actively involved in the Joint Forum's work to develop a framework for ongoing collaboration among the regulators, both federal and provincial, and the three ombudservices.

CAPSA Highlights

CAPSA is developing a model pension law for consideration by governments across the country, in response to industry requests for harmonization. Extensive national consultations were held in 2004 on proposed regulatory principles for such a model law. During this process many of the principles – chiefly those related to plan administration and basic entitlements – were viewed as non-contentious. CAPSA worked with a stakeholder task force in 2005-2006 to turn the non-contentious principles into detailed standards.

During 2006-2007, CAPSA collaborated with the stakeholder group to develop model regulations based on these standards, which were finalized in March 2007. As the next step, CAPSA plans to develop detailed standards based on the model law principles found to need further policy development in the 2004 consultations. These principles cover such areas as phased retirement, dealing with plan beneficiaries who cannot be located when a plan winds up, simplified pension plans, flexible pension plans and rule-making.

FSCO is also participating in CAPSA's initiative to formulate a new multilateral agreement for the regulation of multi-jurisdictional pension plans. In 2006-2007, CAPSA made significant progress in addressing key regulatory issues involved in replacing the 1968 reciprocal agreement. CAPSA will continue to work on the development of a new agreement during 2007-2008.

CCIR Highlights

FSCO leads the joint Industry Practices Review Committee established by CCIR and CISRO on relationships between insurers on one hand and agents and brokers on the other. In spring 2006, CCIR endorsed the three principles recommended by the committee to protect consumers from conflicts of interest involving insurance advice or transactions. These principles are:

- priority of the client's interest – agents must put the client's interests ahead of their own;
- disclosure of any conflict or potential conflict; and
- product suitability – products recommended must meet the consumer's needs.

In winter 2007, the committee began a comprehensive review to determine how strongly the industry has embraced these principles. This process includes stakeholder meetings and surveys on what insurance companies, intermediaries and advisors have done to implement these precepts.

FSCO played a central role in the joint Reciprocal Licensing Committee created by CCIR and CISRO to streamline and harmonize agent and broker licensing across the country. The committee developed a reliance model to make it easier for insurance agents and brokers to become licensed outside their home jurisdiction. The new model was implemented in July 2006.

Under the harmonized approach, the host jurisdiction relies on most of the requirements of the home jurisdiction but can request that the applicant meet some further conditions. Procedures have also been adopted for dealing with differing requirements for continuing education and errors and omissions insurance. For example, Ontario and three other regulators have agreed not to impose any further continuing education requirements on a non-resident agent or broker who has met continuing education requirements in the home jurisdiction, provided some continuing education is required there.

FSCO chairs CCIR's Risk-based Market Conduct Regulation Committee, formed to develop a common approach to market conduct regulation that fits Canadian supervisory requirements. The committee is developing a joint regulatory framework including such elements as closer collaboration on market conduct reviews and more progressive, transparent and risk-based market conduct oversight

Enhancing Ontario's Regulatory Framework

The Ontario government is modernizing financial regulation to protect consumers, preserve an attractive business climate and stay ahead in global markets. FSCO participated in a number of policy projects to improve Ontario's regulatory framework for financial services in 2006-2007.

New Mortgage Brokering Legislation Passed

The *Mortgage Brokerages, Lenders and Administrators Act, 2006*, developed by Ministry of Finance with FSCO's advice and assistance, received Royal Assent in December 2006 and has been proclaimed in force in two stages in 2008. Obtaining a home mortgage is the largest financial commitment most families make; the new legislation modernizes consumer protection by making the industry more accountable.

The new act will replace the *Mortgage Brokers Act* and will require all businesses and individuals who deal in mortgages to obtain a licence from FSCO. Licensed brokerages will ensure that all brokers and agents working on their behalf comply with the legislation. FSCO will have the power to impose financial penalties in cases of noncompliance. The current mortgage broker registrations will expire on repeal of the *Mortgage Brokers Act*, which dates from the 1970s.

To support the new act, FSCO worked with the Ministry of Finance to prepare a consultation draft of proposed regulations. FSCO also undertook a review of educational requirements in the mortgage brokering sector, which involved significant input from industry practitioners. In summer 2006, FSCO released a consultation paper on proposed qualifying standards for licensing as a mortgage broker or agent once the new act and regulations take effect.

Credit Union and Caisse Populaire Amendments Proposed

During the year, FSCO continued to work with the ministry, the Deposit Insurance Corporation of Ontario and stakeholders to modernize the regulation of credit unions and caisses populaires. Consultation drafts of proposed amendments to the *Credit Unions and Caisses Populaires Act*, 1994 and the current regulation on capital and lending were released in summer 2006. The proposals are intended to enable credit unions and caisses populaires to serve their customers better and continue to compete effectively in the financial services marketplace.

Classes of Insurance Harmonized

FSCO and the ministry completed work on proposed regulation amendments to implement the nationally harmonized classes of insurance and corresponding definitions recommended by CCIR. The harmonized classes of insurance and definitions are scheduled to take effect on April 30, 2007. A key aspect of this initiative is that classes of insurance will no longer be defined in the *Insurance Act*, but rather by way of an order of the Superintendent of Financial Services.

Expert Commission on Pensions

In November 2006, the Ontario government announced the appointment of an Expert Commission to review the *Pension Benefits Act* and make recommendations to ensure the province's employment pension system remains sustainable. The commission will consider:

- the funding of defined benefit pension plans
- the rules on pension plan deficits and surpluses
- the financing of and benefits provided by the Pension Benefits Guarantee Fund and
- other issues relating to the security, viability and sustainability of the pension system in Ontario.

The commission is chaired by Harry Arthurs, professor emeritus and former president of York University and a noted labour lawyer. The commission will hold province-wide consultations in October and November 2007 and is expected to submit its final report in summer 2008.

FSCO is providing input and support to the Expert Commission and the Ministry of Finance on pension issues as required.

Other Policy Initiatives

During the year FSCO continued to work with the ministry and the co-operative corporations sector to develop amendments to the *Co-operative Corporations Act* and regulations.

In addition, FSCO staff advised other ministries on proposed legislative and regulation changes affecting FSCO's mandate. For example, FSCO worked with the Ministry of Government Services on proposed regulations under the *Funeral, Burial and Cremation Services Act, 2002*, which has not yet been proclaimed in force. FSCO provided input on consumer protection measures regarding insurance for funeral and related services.

Also in 2006-2007, FSCO supported further automobile insurance reform as described in the section on Supporting the Automobile Insurance System. Regulatory policies to guide the administration of pension legislation were discussed in the section on Pension Plan Oversight.

As part of its effort to monitor emerging trends and issues, FSCO has established working relationships with regulators in other countries. A series of international regulators visited FSCO during the year to exchange intelligence and share best practices.

Protecting Consumers through Information

Today's financial services marketplace offers Ontarians unprecedented choice but also unprecedented complexity. From planning for retirement to buying auto insurance to taking out a mortgage, the options are many, the details complicated and the consequences lasting.

This is why FSCO has made consumer education a fundamental part of its consumer protection role. FSCO provides access to current, accurate and balanced information to educate consumers and pension plan beneficiaries to make informed choices. With better access to information, consumers and pension plan beneficiaries will be better equipped to make wise decisions and protect their own interests.

Website Traffic Grows

FSCO's website – www.fsco.gov.on.ca – remains FSCO's foremost channel for reaching the public. Traffic to the site rose significantly following the major redesign completed in summer 2005.

In January 2005, eight months before the redesign, the number of daily visitors to FSCO's website averaged 3,254, while page views averaged 22,024 per day. By January 2007, average daily visitors to the website had doubled to 6,541, and average page views increased to 29,800 per day.

Visitors are also obtaining more copies of documents through the website. In January 2005, the 10 most popular documents were downloaded a total of 3,203 times. In January 2007, the top 10 documents recorded 10,973 downloads – more than triple the volume.

In 2006-2007, FSCO increased the number of "fillable" electronic forms on the website to 50 per cent of the total, compared with just 10 per cent in the previous year. A fillable form enables the user to complete the form online and then send, save or print it. Some forms, especially in the pension sector, are being converted to an interactive "smart fillable" format. For example, a smart form might perform calculations automatically or provide drop-down menus based on answers to questions.

Media Strategy Delivers Consumer Messages

FSCO arranged for a series of consumer articles about pensions to be distributed to daily and community newspapers. The focus was on access to locked-in retirement savings accounts in financial hardship cases – both how to obtain access and the possible pitfalls. These helpful inserts reached an estimated audience of 175,000. The articles were also posted on financial and community web portals, reaching an estimated 1,400 online readers.

In addition, broadcast media were tapped to communicate FSCO's consumer messages. FSCO produced a television/digital broadcast segment on Avoiding Scams in Purchasing Automobile Insurance. Nine airings by cable and network broadcasters reached an estimated 914,000 viewers. Seven consumer or business portals picked up the digital version for an estimated online audience of 6.7 million.

Consumer Publications in Demand

FSCO has published a host of consumer brochures and other public information materials. Orders for FSCO's print publications remained strong in 2006-2007. Requests from industry associations, consumer groups and MPP constituency offices numbered more than 19,000. The print materials are also distributed to the public free of charge through Publications Ontario's two bookstores, 63 Government Information Centres and public libraries. Electronic versions of all titles are posted on FSCO's website.

A new item was released during the year, a fact sheet on Insurance Tips for Travellers. FSCO also translated six more brochures into Italian, Portuguese, Chinese and Punjabi and posted them on the website.

They are:

- Don't Get Scammed Buying Auto Insurance
- Auto Insurance Consumers' Bill of Rights
- Shopping for Travel Medical Insurance
- A Guide to Applying for Special Access (to your locked-in retirement savings account)
- What to Do After an Auto Accident
- Protecting Yourself When Renting an Auto

FSCO at Consumer Shows

Consumer shows give FSCO invaluable opportunities to interact directly with consumers.

FSCO maintained a strong presence at the Canadian International Auto Show in Toronto in February 2007, with an exhibit booth on Auto Insurance:Get the Facts! Staff answered questions, handed out print materials and demonstrated online products. During the show FSCO connected with more than 3,000 consumers and distributed about 31,000 pieces of literature.

Earlier in the fiscal year, in April 2006, FSCO took part in the National Home Show in Toronto, billed as the largest home show in North America. About 4,200 consumers visited FSCO's exhibit booth on the theme Regulating Financial Services across Ontario. Staff answered questions and handed out consumer literature on insurance and pensions.

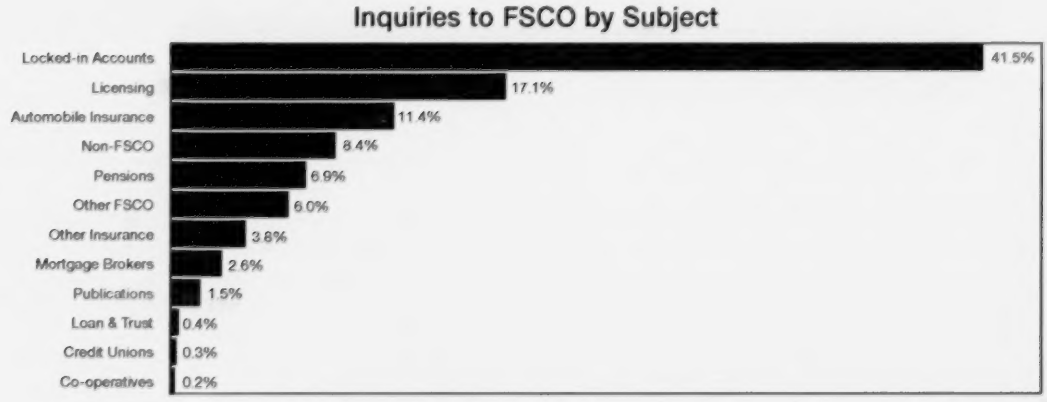
Smart Consumer Calendar

FSCO participated with other government ministries and agencies in the 2007 Smart Consumer Calendar released by the Ministry of Government Services (MGS). The calendar devotes one page each month to a specific consumer topic, explaining how to shop smart, make purchasing decisions and avoid problems with suppliers of goods or services. FSCO's contribution featured tips on avoiding scams when buying auto insurance and included FSCO's contact information. Approximately 290,000 print copies of the calendar were distributed and there were 11,000 downloads from the MGS website.

Consumer Services Staff Active

For both the public and stakeholders, the first point of contact with FSCO is the Consumer Services Unit. Staff provide general information and advisory services on FSCO's processes and procedures as well as information on the legislation and regulations FSCO administers. They respond to telephone inquiries, handle incoming correspondence and assist walk-in visitors.

During 2006-2007, staff responded to 65,290 inquiries – up more than 20 per cent from the previous year. The largest number of inquiries again involved questions about how to access locked-in retirement funds in case of financial hardship and requests for application forms for unlocking.



Getting the Most from Organizational Resources

FSCO is committed to obtaining the maximum value from its human, financial, technological and physical resources. Since FSCO's costs are recovered from the regulated sectors, FSCO recognizes that it is accountable to its stakeholders for the efficiency and quality of the services delivered.

Finance and Accounting Systems

FSCO embarked on a comprehensive review and update of its finance and accounting systems. The project will respond to recommendations made by the Auditor General of Ontario and is also expected to deliver operational efficiencies.

As part of this project, FSCO will implement activity-based costing. This model will give FSCO a tool to measure costs by activity and by sector, thereby promoting more effective cost recovery from the regulated sectors.

IT Systems Development

FSCO's strategy to develop information technology systems on a new state-of-the-art ".net" platform is proceeding. During the year, FSCO converted the first major application under the new platform. This application is the cornerstone of FSCO's evolving consolidated information file and has established much of the development framework for future .net applications.

Report of the Financial Services Tribunal

The Financial Services Tribunal (FST) is an independent adjudicative body that hears appeals of decisions by the Superintendent of Financial Services and reviews proposed decisions by the Superintendent. Proceedings are held at the request of affected parties. The FST has exclusive jurisdiction to exercise the powers conferred on it by legislation and to determine all questions of fact or law that arise in its hearings.

The FST includes the Chair and two Vice-Chairs (who are also the Chair and Vice-Chairs of FSCO) and from six to 12 additional members, all appointed by the Lieutenant Governor in Council. Biographical sketches of current FST members may be found on the FST's website at www.fstontario.ca.

The FST is committed to providing an expert, impartial hearing process that is accessible, prompt and fair. Its proceedings are guided by its own Rules of Practice and Procedure and Practice Directions, as well as by the *Statutory Powers Procedure Act*. The FST has established streamlined procedures to expedite requests for hearings on decisions by the Superintendent regarding access to locked-in funds in cases of financial hardship.

In 2006-2007, the FST adopted conflict of interest guidelines for its members.

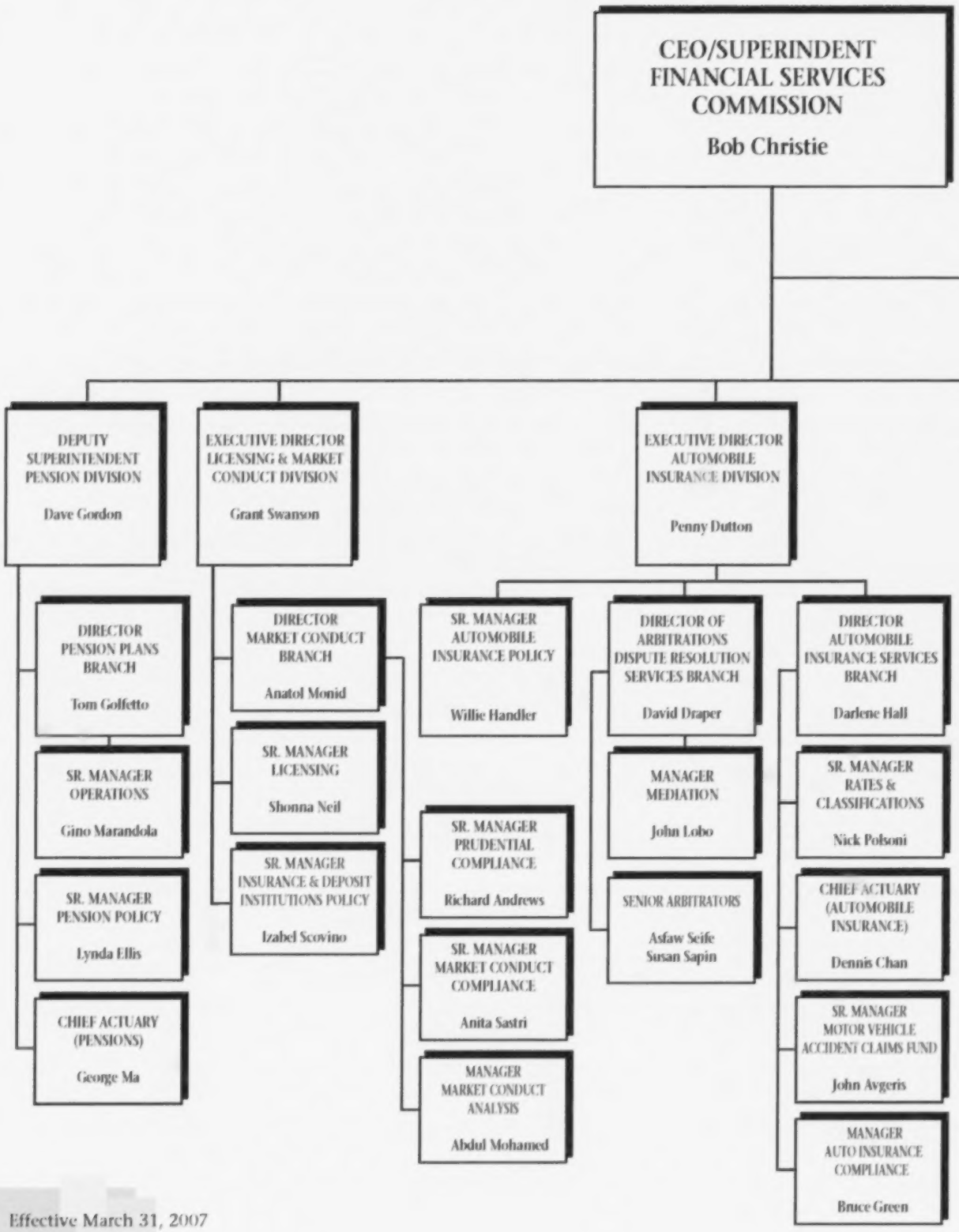
For the convenience of hearing participants, the FST's hearing schedule, decisions, Rules of Practice and Procedure, and Practice Directions are posted online on the FST website at www.fstontario.ca.

Financial Services Tribunal Activities 2006-2007

Activity	*Pension Matters (Excluding Financial Hardship)*	*Pension Matters (Financial Hardship)*	*Mortgage Brokers Matters*	*Insurance Matters*	*Credit Union Matters*	*Loan & Trust Matters*	*Total 2006–2007*	*Total 2005–2006*
Number of Cases Pending at Beginning of Fiscal Year	25	–	1	6	–	–	32	29
Number of New Cases Received	15	–	2	2	1	–	20	22
Number of Oral Hearing Days Held	13	–	7	12	–	–	32	23
Number of Written Hearings	–	–	–	–	–	–	–	2
Number of Other Activity Days, Including: Pre-Hearing Conferences, Telephone Conferences, Settlement Conferences and Motions	44	–	4	8	–	–	56	40
Total Hearing (Oral and Written) and Activity Days before FST	57	–	11	20	–	–	88	65
Files Closed	17	–	2	5	1	–	25	19
Number of Cases Pending at End of Fiscal Year	23	–	1	3	–	–	27	32

Notes:

1. Table does not include FST quarterly meetings, days for deliberation or decision writing.
2. Numbers may reflect activity in respect of files opened prior to 2006-2007 fiscal year.
3. Written hearings may relate to financial hardship matters, motions, requests for costs or requests for a review of a decision.

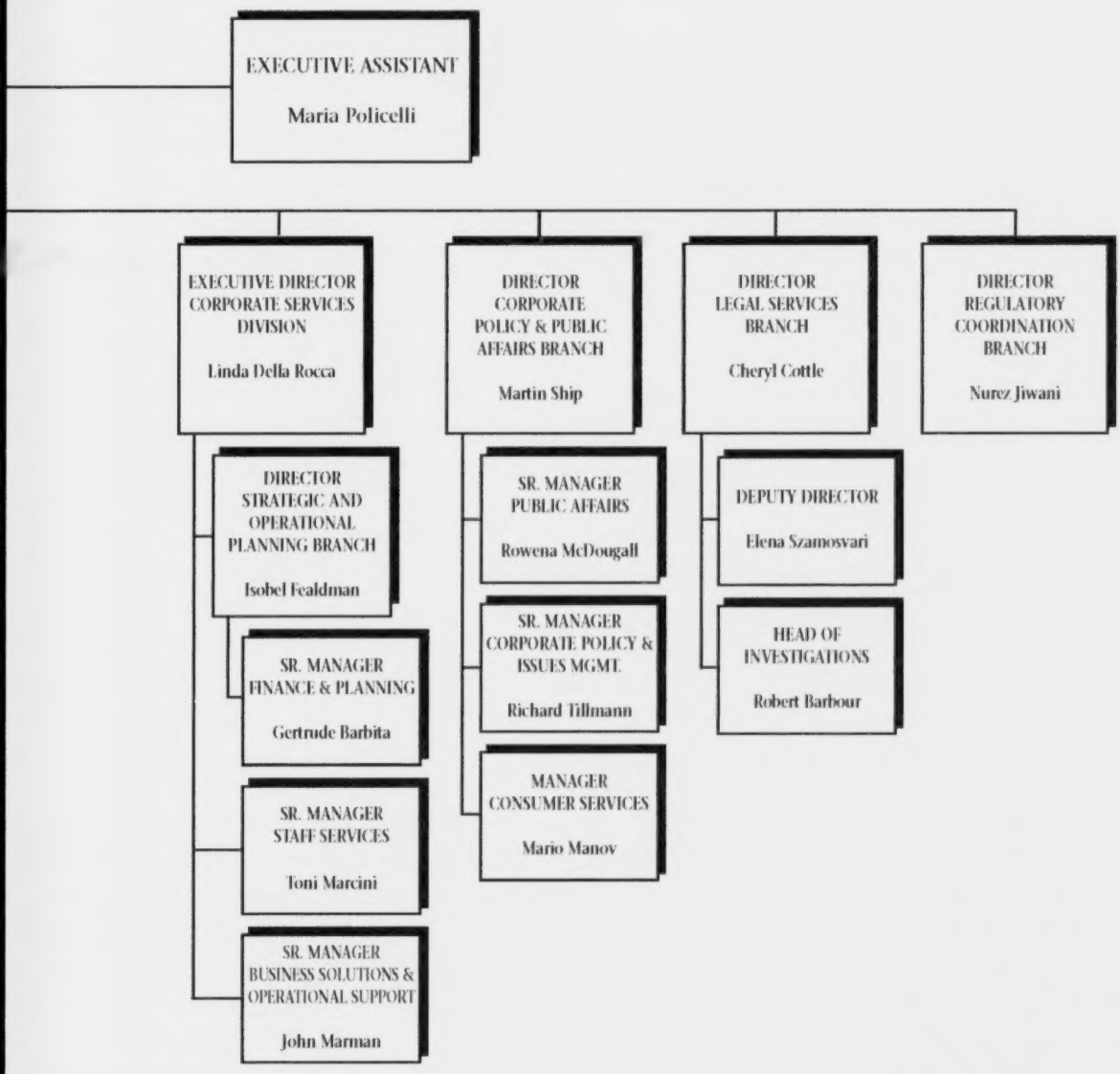


Effective March 31, 2007

Ontario

Financial Services Commission of Ontario

Organization Chart



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

FINANCIAL SERVICES COMMISSION OF ONTARIO

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

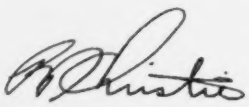
Management's Responsibility for Financial Information

The Financial Services Commission of Ontario (Commission) was established under the *Financial Services Commission of Ontario Act, 1997*. Under the Act the Superintendent is responsible for the financial and administrative affairs of the Commission.

Under the direction of the Superintendent, Management of the Commission is responsible for the integrity and fair presentation of all information in the financial statements and notes. The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements involves the use of management's judgement and best estimates particularly when transactions affecting the current period cannot be determined with certainty until future periods.

Management of the Commission is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and safeguarding of its assets.

The financial statements have been audited by the Office of the Auditor General. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. They have been approved by the Commission's Audit Committee. The Auditor's report follows.



Bob Christie
Chief Executive Officer and
Superintendent of Financial Services

Isobel Fealdman
Director, Strategic & Operational Planning

Ontario

Office of the auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To the Financial Services Commission of Ontario
and to the Minister of Finance

I have audited the balance sheet of the Financial Services Commission of Ontario as at March 31, 2007 and the statements of operations, changes in net assets an cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2007 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

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www.auditor.on.ca

Toronto, Ontario
October 10, 2007

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

FINANCIAL SERVICES COMMISSION OF ONTARIO

BALANCE SHEET
As at March 31, 2007

	2007 ($ 000)	2006 ($ 000)
ASSETS		
Current		
Cash	6	12
Accounts receivable	23,307	42,511
Prepaid expenses	117	69
	23,430	42,592
Capital assets, net (Note 3)	4,378	3,141
	27,808	45,733
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	6,567	6,913
Employee future benefits obligation (Note 6a)	5,571	4,949
Deferred revenue (Note 4)	5,385	4,416
Net Assets		
Invested in capital assets	4,378	3,141
Investment by the Province	5,907	26,314
	10,285	29,455
	27,808	45,733

Commitment and Contingencies (Note 8)

See accompanying notes to the financial statements.

Approved by:

Chief Executive Officer and
Superintendent of Financial Services

FINANCIAL SERVICES COMMISSION OF ONTARIO

STATEMENT OF OPERATIONS
For the Year Ended March 31, 2007

	2007 *($ 000)*	*2006* *($ 000)*
Revenue (Note 5)		
Assessments	27,377	26,463
Annual fees for pension plans	12,412	12,137
Fees and licences	6,791	6,721
Registrations	2,572	2,155
Other	526	256
	49,678	47,732
Expenses		
Salaries and wages	30,485	28,194
Employee benefits (Note 6a)	6,926	5,862
Transportation and communication	755	749
Services	12,906	13,854
Supplies and equipment	772	944
Amortization	963	1,558
	52,807	51,161
Less: Recoveries (Note 7)	2,997	2,751
	49,810	48,410
Deficiency of revenue over expenses	(132)	(678)

See accompanying notes to the financial statements.

FINANCIAL SERVICES COMMISSION OF ONTARIO

STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended March 31, 2007

	2007 ($ 000)			2006 ($ 000)
	Invested in Capital Assets	Investment by the Province	Total	Total
Balance, beginning of year	3,141	26,314	29,455	21,626
Acquisition of capital assets	2,200	(2,200)	—	—
Excess (deficiency) of revenue over expenses	(963)	831	(132)	(678)
Contribution (to)/from the Province (Note 6b)	—	(19,038)	(19,038)	8,507
Balance, end of year	4,378	5,907	10,285	29,455

See accompanying notes to the financial statements.

FINANCIAL SERVICES COMMISSION OF ONTARIO

STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2007

	2007 ($ 000)	2006 ($ 000)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Cash flows from operating activities		
Deficiency of revenue over expenses	(132)	(678)
Items not affecting cash		
Amortization	963	1,558
Write-off of capital assets	–	431
Changes in non-cash working capital		
Accounts receivable	19,204	(8,893)
Prepaid expenses	(48)	43
Accounts payable	(346)	816
Employee future benefits obligation (Note 6a)	622	473
Deferred revenue	969	(337)
	21,232	(6,587)
Cash flows from financing activity		
Contribution (to)/from the Province	(19,038)	8,507
	(19,038)	8,507
Cash flows from investing activity		
Purchase of capital assets	(2,200)	(1,919)
	(2,200)	(1,919)
Net change in cash position	(6)	1
Cash position, beginning of year	12	11
Cash position, end of year	6	12

See accompanying notes to financial statements.

FINANCIAL SERVICES COMMISSION OF ONTARIO

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

1. OPERATIONS OF THE COMMISSION

The The Financial Services Commission of Ontario (Commission) was established under the *Financial Services Commission of Ontario Act, 1997*. The Commission's mandate is to enhance consumer confidence and public trust in Ontario's regulatory activities governing insurance, pensions, credit unions, trust companies, caisses populaires, co-operatives and mortgage brokers, and also to make recommendations to the Minister of Finance on matters affecting the regulated sectors. The Commission administers the following legislation: *Insurance Act, Pension Benefits Act, Credit Unions and Caisses Populaires Act, Loan and Trust Corporations Act, Mortgage Brokers Act and Co-operative Corporations Act.* As a regulatory agency of the Province of Ontario, the Commission is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies used to prepare these statements are summarized below.

(a) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the asset, beginning in the year following acquisition, as follows:

Office furniture and equipment	5 years
Computer hardware and related software	2 years
Leasehold improvements	over term of the lease

(b) Revenue Recognition

Assessment revenues from insurance, credit unions, caisses populaires and the loan and trust sectors are recognized when the recoverable costs to administer the various Acts governing these sectors are incurred. The amounts are based on estimated recoverable costs because the actual recoverable costs from the various sectors cannot be determined until the following year.

The Commission recognizes the annual assessment fee due from each pension plan registered in the province based on an estimate because the actual fee cannot be determined until the pension plan files its annual information return six to nine months after the plan's fiscal year end.

Adjustments to revenue, if any, between the amounts recognized based on estimates and actual revenues, are charged or credited in the year when the actual amounts are determined.

Revenues from fees, licenses and registrations are recognized in the year to which they pertain.

FINANCIAL SERVICES COMMISSION OF ONTARIO

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amount of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual amounts could differ from these estimates.

3. CAPITAL ASSETS

	2007 ($000)			2006 ($000)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	1,546	1,122	424	664
Computer software	4,687	2,539	2,148	368
Office furniture and equipment	33	26	7	13
Leasehold improvements	4,504	3,186	1,318	428
Computer software under development	481	–	481	1,668
	11,251	6,873	4,378	3,141

4. DEFERRED REVENUE RELATED TO LICENCES AND REGISTRATION

Deferred revenue represents payments received for fees, licences and registrations that cover more than the current fiscal year. The deferred portion is recognized as revenue when the applicable future licence year occurs. The changes in deferred revenue balances are as follows:

	Balance, beginning of year	Received during year	Recognized during year	Balance, end of year
	($000)			
Insurance agents	2,577	3,656	2,935	3,298
Adjusters	18	85	86	17
Mortgage Brokers	1,178	2,461	2,435	1,204
Corporations	643	1,005	782	866
	4,416	7,207	6,238	5,385

FINANCIAL SERVICES COMMISSION OF ONTARIO

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

5. REVENUE

For the fiscal year, revenue from the following Acts and regulations made under the Acts administered by the Commission are:

	2007 ($000)	2006 ($000)
Insurance Act		
Insurer assessment	25,746	24,984
Fees, licenses and other	4,570	4,385
Pension Benefits Act		
Annual information return filing fees and registration fees	12,706	12,295
Pension unlocking fees and other	2,404	2,385
Credit Unions and Caisses Populaires Act		
Credit Union assessment	1,425	1,091
Fees and other	126	159
Loan and Trust Corporations Act		
Loan and Trust assessment	205	386
Fees, licenses and registrations	3	31
Mortgage Brokers Act		
Registrations and other	2,471	2,000
Co-operative Corporations Act		
Fees and other	22	16
	49,678	47,732

FINANCIAL SERVICES COMMISSION OF ONTARIO

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

6. RELATED PARTY TRANSACTIONS

(a) Employee Benefits

The Commission's employees are entitled to benefits that have been negotiated centrally for Ontario Public Service employees. The future liability for benefits earned by the Commission's employees is recognized in the Province's consolidated financial statements. These benefits are accounted for by the Commission as follows:

i. Pension Benefits

The Commission provides pension benefits for all its permanent employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are both multi-employer defined benefit pension plans established by the Province of Ontario. The pension expense represents the Commission's contributions to the plans during the fiscal year. The Commission's contributions related to the pension plans for the year were $2.038 million (2006 $1.827 million) and are included in employee benefits in the Statement of Operations.

ii. Employee Future Benefits Obligation

While the province continues to accrue for the costs of any severance entitlements and unused vacation entitlements earned by employees and to fund them when due, the liability for these is also recognized in these financial statements when earned by eligible employees. Severance entitlements under the *Public Service of Ontario Act (2006)* were non-actuarially estimated based on one weeks pay for every year of service for those employees with a minimum of five years of service. Unused vacation entitlements have been estimated using attendance records. These costs for the year amount to $869 thousand (2006 $520 thousand) and are included in employee benefits and salaries in the Statement of Operations.

iii. Other Non-Pension Post-Employment Benefits

The cost of other non-pension post-retirement benefits is determined and funded on an ongoing basis by the Ontario Ministry of Government Services and accordingly is not included in these financial statements.

(b) Contributions from the Province

Cash receipts are deposited into the Consolidated Revenue Fund (CRF) of the Province of Ontario. Expenses are paid out of monies appropriated therefore by the Legislature of the Province of Ontario. The excess of cash receipts deposited into the CRF, less the cash drawn from the Commission's appropriation to pay expenses is recorded as a Contribution to the Province in the Statement of Changes in Net Assets. The Province's investment is reduced to the extent deposits exceed expenses.

6. RELATED PARTY TRANSACTIONS (cont'd)

(c) Other administrative expenses

The Ontario Ministry of Government Services absorbs the costs of certain administrative expenses. The Ministry of Finance has charged certain human resources and financial administration costs to the Financial Services Commission of Ontario in the amount of $1.034 million (2006 $0.947 million).

7. RECOVERIES

The Commission provides administrative and other support services to a number of organizations and recovers the costs of providing these services from the organizations in accordance with the memorandum of understanding or agreement signed with the respective organizations. Details of these recoveries are as follows:

	2007 ($000)	2006 ($000)
Motor Vehicle Accident Claims Fund	1,641	1,733
Pension Benefits Guarantee Fund	370	407
General Insurance Statistical Agency	324	–
Joint Forum of Financial Market Regulators	279	242
Canadian Association of Pension Supervisory Authorities	188	172
Canadian Council of Insurance Regulators	182	181
Canada Revenue Agency	13	16
	2,997	2,751

8. COMMITMENT AND CONTINGENCIES

(a) The Commission is committed to minimum lease payments for office space over the next two years as follows:

	($000)
2007/08	4,230
2008/09	2,468
	6,698

Ontario

FINANCIAL SERVICES COMMISSION OF ONTARIO

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

8. COMMITMENT AND CONTINGENCIES (cont'd)

(b) The Commission is involved in various legal actions arising out of the ordinary course of business. Settlements paid by the Commission, if any, will be accounted for in the period in which the settlement occurs. The outcome and ultimate disposition of these actions are not determinable at this time.

9. SECURITIES ON DEPOSIT

The *Insurance Act* authorizes the Commission to require insurance companies to deposit securities in any amount it considers necessary and on such conditions as it considers proper. Such amounts might be held to satisfy requirements of other jurisdictions with which the Province of Ontario has reciprocal agreements.

As at March 31, 2007, the face value of the securities held by the Commission under the *Insurance Act* was $3.2 million (2006 $3.2 million). Income earned on the securities is paid directly to the insurance companies depositing the securities. These securities and the related income are not recorded in the financial statements.

10. FINANCIAL INSTRUMENTS

The carrying value of cash, accounts receivable, prepaid expenses, accounts payable and accrued liabilities, and deferred revenue approximates fair value due to the short-term nature of these instruments. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Ontario

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

FINANCIAL SERVICES COMMISSION OF ONTARIO

PENSION BENEFITS GUARANTEE FUND
FINANCIAL STATEMENTS

AS AT MARCH 31, 2007

Ontario

Financial Services Commission of Ontario

Commission des services financiers de l'Ontario

June 1, 2007

Pension Benefit Guarantee Fund
Management's Responsibility for Financial Information

The Superintendent of the Financial Services Commission of Ontario ("FSCO") pursuant to the *Financial Services Commission of Ontario Act, 1997* is responsible for the administration of the Pension Benefit Guarantee Fund.

Under the direction of the Superintendent, Management of FSCO is responsible for the integrity and fair presentation of all information in the financial statements and notes. The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements involves the use of management's judgement and best estimates particularly when transactions affecting the current period cannot be determined with certainty until future periods.

Management of FSCO, in the administration of the Pension Benefit Guarantee Fund, is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and safeguarding of its assets.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. They have been approved by the Commission's Audit Committee. The Auditor's report follows.

K. David Gordon
Deputy Superintendent, Pensions

Darinka Pejic
Chief Accountant

Ontario

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To the Financial Services Commission of Ontario
and to the Minister of Finance

I have audited the balance sheet of the Pension Benefits Guarantee Fund of the Financial Services Commission of Ontario as at March 31, 2007 and the statements of operations and fund deficit and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission's pension benefits guarantee fund as at March 31, 2007 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

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Toronto, Ontario
June 1, 2007, except as to Note 8
which is as of June 13, 2007

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

FINANCIAL SERVICES COMMISSION OF ONTARIO

PENSION BENEFITS GUARANTEE FUND
BALANCE SHEET
As at March 31, 2007

	2007 ($000)	2006 ($000)
ASSETS		
Current		
Cash	66	158
Accounts receivable	54,151	63,977
Investments (Note 4)	98,026	79,093
	152,243	143,228
LIABILITIES AND FUND DEFICIT		
Current		
Accounts Payable and accrued liabilities	5,499	5,402
Current portion of loan payable	11,000	11,000
Claims payable	99,138	104,064
	115,637	120,466
Loan payable (Note 3(c) & 5)	149,447	297,000
	265,084	417,466
Fund deficit (Note 3(c))	(112,841)	(274,238)
	152,243	143,228

Contingencies (Note 8)

See accompanying notes to financial statements.

Approved by:

Chief Executive Officer
and Superintendent of Financial Services
Financial Services Commission of Ontario

Ontario

FINANCIAL SERVICES COMMISSION OF ONTARIO

PENSION BENEFITS GUARANTEE FUND
STATEMENT OF OPERATIONS AND FUND DEFICIT
For the year ended March 31, 2007

	2007 ($000)	2006 ($000)
Revenue		
Premium revenue	45,571	54,068
Investment income (Note 4)	4,254	5,580
Recoveries (Note 6)	8,125	6,652
	57,950	66,300
Expenses		
Claims	31,995	96,090
Pension management fees (Note 6)	859	5,887
Investment management fees	42	70
Administration fee (Note 7)	370	407
	33,266	102,454
Excess / (deficiency) of revenue over expenses before the following:	24,684	(36,154)
Unrealized gain / (losses) in the market value of investments	160	(646)
Amortization of loan discount	(8,221)	–
Excess / (deficiency) of revenue over expenses for the year	16,623	(36,800)
Fund deficit, beginning of year as previously stated	(274,238)	(237,438)
Prospective change in accounting policy for loan payable (Note 3(c))	144,774	–
Fund deficit, beginning of year as restated	(129,464)	(237,438)
Fund deficit, end of year	(112,841)	(274,238)

See accompanying notes to financial statements

FINANCIAL SERVICES COMMISSION OF ONTARIO

PENSION BENEFITS GUARANTEE FUND
STATEMENT OF CASH FLOWS
For the year ended March 31, 2007

	2007 ($000)	2006 ($000)
Net inflow (outflow) of cash related to the following activities		
Cash flows from operating activities		
Excess / (Deficiency) of revenue over expenses	16,623	(36,800)
Less items not affecting cash		
Unrealized (gain) loss on investments	(160)	646
Amortization of loan discount	8,221	-
	24,684	(36,154)
Changes in non cash working capital		
Accounts receivable	9,826	4,442
Accounts payable	97	(349)
Claims payable	(4,926)	(100,560)
	29,681	(132,621)
Cash flows from investing activities		
Purchases of investments	(1,624,425)	(1,166,405)
Proceeds from sale of investments	1,605,652	1,309,827
	(18,773)	143,422
Cash flows from financing activities		
Loan repayment	(11,000)	(11,000)
	(11,000)	(11,000)
Change in cash position	(92)	(199)
Cash position, beginning of year	158	357
Cash position, end of year	66	158

See accompanying notes to financial statements

Ontario

FINANCIAL SERVICES COMMISSION OF ONTARIO

PENSION BENEFITS GUARANTEE FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007

1. STATUTORY AUTHORITY

The Pension Benefits Guarantee Fund (the "Fund") is continued under the *Pension Benefits Act, R.S.O. 1990, c. P.8* (the "Act").

2. FUND OPERATIONS

The purpose of the Fund is to guarantee payment of certain pension benefits of certain defined benefit pension plans wound up under conditions specified in the *Act* and regulations thereto. The regulations also prescribe an assessment payable into the Fund by plan registrants.

The Act provides that if the assets of the Fund are insufficient to meet payments for claims, the Lieutenant Governor in Council may authorize the Minister of Finance of Ontario to make loans on such terms and conditions as the Lieutenant Governor in Council directs. The total liability of the Fund to guarantee pension benefits is limited to the assets of the Fund plus any loans received from the Province.

The Superintendent of the Financial Services Commission of Ontario ("FSCO") pursuant to the *Financial Services Commission of Ontario Act, 1997* is responsible for the administration and the investment of the assets of the Fund. The Fund reimburses FSCO for the cost of the services provided.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared by the management of FSCO in accordance with Canadian generally accepted accounting principles. The significant accounting policies used to prepare these statements are summarized below.

(a) Investments

Investments include short-term deposits and fixed income securities issued or guaranteed by the federal and provincial governments and Canadian corporations. Short-term deposits have maturities of less than twelve months. They are recorded at cost which approximates market. Investments in government and corporate bonds are stated at their quoted market value. In aggregate, they are considered short term in nature and can be liquidated at any time to cover claims against the Fund. Investments have been classified as held for trading. Realized and unrealized gains or losses are recognized as investment income as they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Claims payable

Claims payable are liabilities to those defined benefit pension plans prescribed by the Act that are wound up or in the process of being ordered wound up under conditions specified in the Act, and the amounts can be reasonably estimated. Claims payable are established according to accepted actuarial practices in Canada through an actuarial valuation using the best estimates of the management of FSCO and represent the present value of future payments to settle the claims for benefits and expenses by eligible pension plans which are at various stages of the wind up process.

Adjustments to the liabilities, if any, between the amounts recognized based on estimates and the actual claims made, will be charged or credited to the provision for claims in the year when the actual amounts are determined.

(c) Loan Payable – Change in Accounting Policy

Effective April 1, 2006, the Fund adopted the new CICA standard on Financial Instruments. The new standard requires that loans payable be reflected at their fair value. As the loan from the Province (see note 5) confers a benefit to the Fund in that it is interest free, a fair value is determined by discounting future cash flows using the Provincial cost of borrowing (5.04%). The resulting benefit (the difference between the face value of the loan and the net present value) is accounted for as a grant in the year the loan was received and is amortized to loan discount expense over the term of the loan.

As required by the standard, this accounting change was applied prospectively from April 1, 2006; therefore, comparative amounts have not been restated. Accordingly, as of April 1, 2006, the carrying value of Loan Payable was decreased by $144,774 thousand to recognize the amount of the unamortized discount, and the opening balance of the Fund Deficit was decreased by the same amount. The effect of the accounting change on 2007 operating results was an increase in expenses of $8,221 thousand representing the amortization of the loan discount. As at March 31, 2007, the net impact of the accounting change is a reduction in the loan payable and fund deficit of $136,553 thousand.

FINANCIAL SERVICES COMMISSION OF ONTARIO

PENSION BENEFITS GUARANTEE FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Premium revenue

An estimate of the premium revenue due from defined benefit pension plans at rates prescribed by the Act is recorded until receipt of the annual assessment certificate nine months after the plan's fiscal year end.

Adjustments to premium revenue, if any, between the estimated amounts recognized and the actual revenues due are charged or credited to revenue in the year when the actual amounts are determined.

(e) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that FSCO's management make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses for the period. Estimates and assumptions may change over time as new information is obtained or subsequent developments occur. Actual results could differ from these estimates

(f) Financial Instruments

It is the opinion of the management of FSCO that the Fund is not exposed to significant interest rate, currency or credit risks arising from its financial instruments, and the carrying amount of the Fund's financial instruments approximates fair value unless otherwise noted. The impact of fluctuations in interest rates on the Funds Investments is described in note 4.

4. INVESTMENTS

As administrator of the investment assets of the Fund, FSCO has formed a PBGF Management Committee, developed a statement of Investment Policies and Guidelines and appointed the Ontario Financing Authority as investment manager. The statement provides operational objectives, investment principles, policies and guidelines for the management of the investments and is reviewed bi-annually.

4. INVESTMENTS (cont'd)

Investments consist of:

	2007 ($000)		2006 ($000)	
	Market Value	Cost	Market Value	Cost
Short term deposits	89,824	89,824	19,484	19,484
Government and corporate bonds	8,202	8,200	59,609	59,767
	98,026	98,024	79,093	79,251

Investment Risk and Income:

Short term deposits have yields in the range of 4.2% to 4.6% (2006 – average yield of 3.9%) and government and corporate bonds have yields in the range of 4.4% to 4.5% (2006 – yields in the range of 3.3% to 5.8%). At March 31, 2007, a 1% move in interest rates could impact the market value by approximately $200 thousand.

Investment income includes interest earned from interest bearing securities and realized gains/losses from the sale of securities. The realized gain on the sale of securities amounted to $304 thousand (2006 – realized loss of $4 thousand). Unrealized changes in the market value of investments are reflected separately on the statement of operations and fund deficit.

Maturity Profile of the Investments is as follows:

Investment Maturity	2007 ($000)	2006 ($000)
< 1 year	98,026	40,662
1 – 3 years		19,874
3 – 5 years		13,298
5+ years		5,259
	98,026	79,093

Ontario

FINANCIAL SERVICES COMMISSION OF ONTARIO

PENSION BENEFITS GUARANTEE FUND
NOTES TO THE FINANICAL STATEMENTS
March 31, 2007

5. LOAN PAYABLE

On March 31, 2004, the Fund obtained a $330 million loan from the Province, a related party. The loan is non-interest bearing and repayable to the Province in thirty equal annual installments of $11 million. The loan agreement provides for the Minister of Finance to advance any installment payment date depending on the cash position of the Fund. Repayments over the next five years total $55 million.

As disclosed in note 3(c) the face value of this non-interest bearing loan has been discounted to reflect its fair value outstanding as of March 31, 2007 as follows:

	($000)
Face value	297,000
less: Discount	(136,553)
Fair value	160,447
Classified as:	
Current portion	11,000
Long term portion	149,447
Balance	160,447

The discount will be amortized to loan discount expense over the term of the loan based on the effective interest rate method. Amortization for the current year and estimated for the subsequent four fiscal years is as follows:

	($000)
2007	8,221
2008	8,081
2009	7,934
2010	7,780
2011	7,618

FINANCIAL SERVICES COMMISSION OF ONTARIO

PENSION BENEFITS GUARANTEE FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007

6. PENSION MANAGEMENT FEES AND RECOVERIES

The Fund periodically engages the services of experts to represent the Fund's interests with respect to companies which have made claims against the Fund. During fiscal 2007, $859 thousand (2006 - $5,887 thousand) was paid to such experts related to negotiations involving three companies.

Following distribution of claims and submission of a final wind up report any remaining funds are recovered by the Fund. During fiscal 2007, $8,125 thousand (2006 - $6,652 thousand) in recoveries were made by the Fund.

7. ADMINISTRATION FEE AND RELATED PARTY TRANSACTIONS

For fiscal 2007, an administration fee of $370 thousand (2006 - $407 thousand) was incurred and has been paid to FSCO for management salaries and benefits, accounting, audit, information technology, legal, pension and other services. The Fund and FSCO are related parties.

The costs of processing of premium revenue provided by the Ministry of Finance are absorbed by FSCO without charge to the Fund.

8. CONTINGENCIES AND SUBSEQUENT EVENT

In the ordinary course of the Fund's business, there are a number of companies operating under CCAA protection whose plans could make claims upon the Fund of which the outcome and the amount of such potential claims are not determinable at this time.

As well, on June 13, 2007 the Fund was notified that a $28.6 million recovery would be forthcoming from a previous allocation from the Fund.

Ontario

MOTOR VEHICLE ACCIDENT CLAIMS FUND

FINANCIAL STATEMENTS

AS AT MARCH 31, 2007

Deloitte

Deloitte & Touche LLP
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Auditor's Report

To the Audit Committee of the Financial Services Commission of Ontario and the Auditor General of Ontario

Pursuant to our appointment as auditor of the Motor Vehicle Accident Claims Fund (the "Fund"), which audit is under the direction of the Auditor General of Ontario, we have audited the statement of financial position of the Fund as at March 31, 2007 and the statements of operations and fund deficit and of cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario
June 9, 2007

Member of
Deloitte Touche Tohmatsu

Ontario

MOTOR VEHICLE ACCIDENT CLAIMS FUND

Management's Responsibility for Financial Information

Management is responsible for the financial statements and all other information presented in the financial statements. Management in accordance with Canadian generally accepted accounting principles has prepared the financial statements, and, where appropriate, included amounts based on Management's best estimates and judgements.

Management agrees with the work of the specialists in evaluating the Unpaid Claims amount and has adequately considered the qualifications of the specialist in determining amounts and disclosures used in the notes to financial statements. Management did not give any, nor cause any, instructions to be given to specialists with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the specialists.

The Motor Vehicle Accident Claims Fund is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and that the assets were safeguarded. Internal audits are conducted to assess management systems and practices and reports are issued to the CEO and Superintendent of Financial Services of the Financial Services Commission of Ontario (the "FSCO") and the FSCO Audit Committee.

Deloitte and Touche, Chartered Accountants who are engaged under the direction of the Auditor General, have examined the financial statements. The auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The auditor's report outlines the scope of the auditor's examination and report.

John Avgeris
Senior Manager
Motor Vehicle Accident Claims Fund

Peter McGuinness
Manager of Accounting & Administration
Motor Vehicle Accident Claims Fund

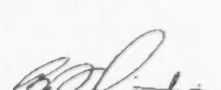
MOTOR VEHICLE ACCIDENT CLAIMS FUND

(Established under the Motor Vehicle Accident Claims Act)

STATEMENT OF FINANCIAL POSITION

	As at March 31, 2007 $	Restated (Ref Note 4) As at March 31, 2006 $
ASSETS		
Funds on Deposit	28,536,531	24,114,515
Accounts Receivable - License Fees	2,211,763	2,653,211
Accounts Receivable - Debtors	42,211,934	44,761,307
Less: Allowance for Doubtful Accounts	26,516,964	30,395,591
	15,694,970	14,365,716
Leasehold Improvement	500,000	500,000
Less: Accumulated Amortization	100,000	-
	400,000	500,000
Computer Equipment	45,445	68,713
Less: Accumulated Amortization	40,294	55,282
	5,151	13,431
Furniture and Fixtures	16,416	-
Unpaid Claims Recoverable (Note 5)	6,867,698	7,243,822
Total Assets	53,732,529	48,890,695
LIABILITIES & FUND DEFICIT		
Accounts Payable and Accrued Expenses	1,870,762	2,187,321
Employee Future Benefit Obligations (Note 4)	429,720	394,667
Deferred Revenue	54,963,437	44,625,559
Unpaid Claims and Adjustment Expenses (Note 5)	174,545,555	141,177,118
	231,809,474	188,384,665
Fund Deficit	(178,076,945)	(139,493,970)
	(178,076,945)	(139,493,970)
Total Liabilities & Fund Deficit	53,732,529	48,890,695

APPROVED:



Bob Christie, Chief Executive Officer
and Superintendent of Financial Services
Financial Services Commission of Ontario

MOTOR VEHICLE ACCIDENT CLAIMS FUND

(Established under the Motor Vehicle Accident Claims Act)

STATEMENT OF OPERATIONS AND FUND DEFICIT

	Year ended March 31, 2007 $	Restated (Ref Note 4) Year ended March 31, 2006 $
REVENUE		
Fee on Issue or Renewal of Driver's Licences	26,513,868	26,175,001
Change in Deferred Revenue	(10,337,879)	(13,606,960)
Fees Earned	16,175,989	12,568,041
Prior Year Recoveries	605,816	865,404
Other Revenue	552	15,764
Total Revenue	16,782,357	13,449,209
EXPENSES		
Change in Net Unpaid Claims and Adjustment Expenses	33,744,561	14,314,849
Accident Benefits Claims Payments	13,348,394	5,064,648
Administrative Expenses		
Salaries and Wages	1,394,221	1,300,667
Employees' Benefits	216,694	210,661
Transportation and Communication	27,538	33,828
Services:		
Claims (Solicitors Fees etc.)	2,048,979	2,005,176
Accident Benefit Claims Expense	1,568,127	1,208,662
Other Services	1,093,262	944,699
Bad Debts Expense	1,790,004	3,595,979
Supplies and Equipment	20,121	19,153
Amortization Expense	113,431	22,904
Total Expenses	55,365,332	28,721,226
Excess of Expenses over Revenue	(38,582,975)	(15,272,017)
Fund Deficit, Beginning of Year	(139,493,970)	(124,221,953)
Fund Deficit, End of Year	(178,076,945)	(139,493,970)

MOTOR VEHICLE ACCIDENT CLAIMS FUND

(Established under the Motor Vehicle Accident Claims Act)

STATEMENT OF CASH FLOWS

	Year ended March 31, 2007 $	Year ended March 31, 2006 $
OPERATING ACTIVITIES		
Cash Inflows		
Fee on Issue or Renewal of Driver's Licences	26,955,315	25,792,503
Repayment by Debtors	1,496,470	1,647,223
Prior Year Recoveries	605,816	3,085,381
Other Revenue	552	15,764
Cash Outflows		
Statutory Payments	(18,325,135)	(8,532,439)
Payments to Employees	(1,568,537)	(1,460,828)
Administrative Expenses	(4,720,898)	(4,100,610)
Net Cash Outflow from Operating Activities	4,443,583	16,446,994
INVESTING ACTIVITIES		
Cash Outflows		
Acquisition of Equipment	(5,151)	-
Acquisition of Furniture	(16,416)	-
Acquisition of Leasehold Improvement	-	(500,000)
Net Cash Outflow from Investing Activities	(21,567)	(500,000)
Net Increase in Funds on Deposit with Minister of Finance	4,422,016	15,946,994
Funds on Deposit with Minister of Finance, Beginning of Year	24,114,515	8,167,521
Funds on Deposit with Minister of Finance, End of Year	28,536,531	24,114,515

MOTOR VEHICLE ACCIDENT CLAIMS FUND

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007

1. STATUTORY AUTHORITY

The Motor Vehicle Accident Claims Fund (the "Fund") operates under the authority of the *Motor Vehicle Accident Claims Act (the "Act")*, R.S.O. 1990, Chapter M.41 as amended.

2. FUND OPERATIONS

The Fund was originally established to provide compensation to victims of motor vehicle accidents caused by uninsured or hit-and-run motorists in Ontario. Uninsured motorists were required to pay an annual fee into the Fund. However, effective March 1, 1980, with the enactment of the *Compulsory Automobile Insurance Act*, all motorists are required to carry compulsory third party liability insurance including uninsured motorist coverage. Since that time, the Fund only responds to claims where the eligible claimants have no access to automobile or liability insurance coverage. In 1990, legislation was enacted to expand the coverage to include a new provision to pay statutory accident benefits by the Fund, in accordance with the *Statutory Accident Benefits Schedule* (the *"SABS"*). In 2002, legislation was enacted to expand the Fund's role to administer and pay statutory accident benefits claims of Ontario insolvent insurers.

The Fund now pays claims under four different automobile insurance compensation systems:

1) Tort – prior to June 22, 1990
2) OMPP – between June 22, 1990 and December 31, 1993
3) Bill 164 – between January 1, 1994 and October 31, 1996
4) Bill 59 – from November 1, 1996 and forward

The coverage provided by the Fund is analogous to the minimum required coverage under the standard automobile policy (OAP1) approved by the provincial regulator. Unlike insurance companies, the Fund does not cover claims where the accidents occur outside of Ontario, except in the case of accident benefits where the Ontario insurer is insolvent. In the cases of insurance company insolvencies where the Fund pays claims for accident benefits, it has powers to assess the industry to recover for claims and adjustment expenses and also has claimant rights against the estate of the insolvent insurer.

The current maximum third party liability claims limits payable by the Fund are $200,000, inclusive of pre-judgment interest, plus legal costs as awarded. Under the *Highway Traffic Act* in Ontario, a driver is responsible for an accident while the owner of the vehicle has vicarious liability. Both the owner and driver will have their driving privileges suspended and, where judgments exist, writs of seizure and sale of real property will be filed with the Sheriff in the jurisdictions where the defendants reside.

If the driver of the vehicle cannot be determined, only claims for bodily injury can be paid out of the Fund. In these civil proceedings the Superintendent of the Financial Services Commission of Ontario ("the FSCO") becomes the named defendant. In certain circumstances, the law provides that where the identity of a driver is determined at a later date, upon bringing of a motion before the court, the driver can be substituted in the judgment.

Upon the conclusion of litigation under sections 7, 12 or 15 of the Act, or through settlements under section 4 of the Act, the plaintiff(s) or claimant(s) present a request for payment to the Minister of Finance out of the Fund. At that time an account receivable is created for the full amount of those payments, which may be recovered from the uninsured driver and/or owner.

2. FUND OPERATIONS (continued)

The Fund operates administratively under the direction the FSCO and reimburses the FSCO for the costs of the services it provides to the Fund.

The Lieutenant Governor in Council, having regard to the condition of the Fund and the amount paid out of the Fund during any period, may direct payment out of the Province's Consolidated Revenue Fund of such an amount as may be considered necessary or advisable to subsidize the Fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Fair values are not determinable for Accounts Receivable – Debtors (net) and Unpaid Claims and Adjustment Expenses (net). For all other financial instruments fair value is equal to book value.

The significant accounting policies used in the preparation of these financial statements are summarized as follows:

a) Leasehold Improvements

Leasehold Improvements are carried at cost, less accumulated amortization. The Fund provides for amortization on a straight line basis over the term of the lease.

Leasehold Improvements	5 years

b) Computer Equipment

Computer equipment is carried at cost, less accumulated amortization. The Fund provides for amortization on a straight-line basis over the estimated useful life of the assets.

Computer equipment	3 years

c) Furniture & Fixtures

Furniture and Fixtures are carried at cost, less accumulated amortization. The Fund provides for amortization on a straight-line basis over the estimated useful life of the assets

Furniture & Fixtures	5 years

d) Drivers' Licence Fees and Deferred Revenue

The amount the Fund earns changed as of September 2004 from a fee of $5.00 to $15.00 on the issuance or renewal of each driver's five-year licence. The income is earned on a pro-rata basis over the five-year term of the licence and the unearned portion is reflected as deferred revenue.

e) Accounts Receivable – Fees

Under the Act the Fund receives from the Ministry of Transportation and Serco DES a monthly internal transfer and payment representing the drivers' licence fee prescribed by *Ontario Regulation 800*. Accordingly, unremitted licence fees are reported as accounts receivable.

f) Accounts Receivable – Debtors

The Fund maintains an accounts receivable portfolio, accumulated over the years as the result of judgments and claims assigned to the Minister of Finance. The Fund will pay damages to injured, not at fault, victims who have no recourse to liability insurance, on behalf of defendant uninsured motorists. In accordance with the Act, these amounts are recoverable from the uninsured motorists. Total repayments received from debtors are reflected in the cash flow statement.

The allowance for doubtful accounts is determined through a process that considers: the age of defendant/debtor, the defendant/debtor's current monthly installment required under the regulations, the amount paid out of the Fund and the activity on the account since the date of the judgment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The write-off process depends on established criteria that parallel the criteria established by the Ministry of Finance. These criteria are used to select a block of accounts at the beginning of April that is reviewed by collections staff.

The Ministry of Finance, Internal Audit Section audits the work of the collections staff and provides a certificate of assurance to verify that the established criteria for the write-off have been met. The write-off transaction is authorized by an order-in-council under the authority set out in the *Financial Administration Act*.

In the current year, write-offs of $ 6.2 million (2006 - $ 5.2 million) were processed. Additionally, in the current year $0.6M of the Accounts Receivable was reinstated through the bad debt expense account.

g) Prior Year Recoveries

Prior year recoveries are generated from three main sources – insurance recoveries, reversionary interest (Note 7) and recoveries of court costs. The Fund is required under the SABS to satisfy the payment of accident benefits claims within specified periods. The timeframe does not allow for a complete investigation into available insurance coverage and in some instances information is withheld by police because of criminal investigations.

Accordingly, when new information is available, the Fund may be required to pursue private insurers for recoveries.

From time to time the Fund may also be involved in the defence of uninsured motorists or the Superintendent of the FSCO, where the legal proceedings are deemed frivolous and the Fund is awarded costs by the courts.

h) Unpaid Claims

Unpaid claims represents the estimated amounts required to settle all unpaid claims, including an amount for unreported claims and claim expenses, and is gross of estimated recoveries and subrogation.

Claim liabilities are established according to accepted actuarial practice in Canada as applied to public personal injury compensation plans. They do not reflect the time value of money nor include a provision for adverse deviations, because the Fund reports no investment income. The provision for unpaid claims and claim expenses consists of estimates that are necessarily subject to uncertainty and the variability could be material in the near term. The estimates are selected from a range of possible outcomes and are adjusted up or down, as additional information becomes known during the course of loss settlement. The estimates are principally based on historical experience but variability can be caused by changes in judicial interpretations of contracts or significant changes in severity and frequency of claims from historical trends. All changes in estimates are recorded in the current period.

The Fund has obligations to pay certain fixed amounts to claimants on a recurring basis and has purchased annuities from life insurers to provide for those payments.

Settlements occur when there is an irrevocable direction from the Fund to the life underwriter to make all payments directly to the claimant. There are no rights under the non-commutable, non-assignable, non-transferable contract that would provide any current or future benefit to the Fund. The Fund remains liable to make payments only in the event that the life insurance company fails and only to the extent that Assuris, the industry's insolvency compensation fund, will not cover payments due. The net risk to the Fund is any credit risk related to the life insurance companies. This credit risk is deemed nil at March 31, 2007. There exists the possibility of contingent gains based on the fact that the Fund has purchased insurance on some of the measured lives. Such amounts are described in Note 7 – Contingent Gains.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that The Fund's management make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses for the period. Estimates and assumptions may change over time as new information is obtained or subsequent developments occur. Actual results could differ from these estimates.

4. CHANGE IN ACCOUNTING POLICY

a) Employee Future Benefits Obligation

In prior years, the Fund did not record the liabilities pertaining to the legislative severance and compensated absences components of its employee future benefits costs because these liabilities had been determined and recognized by the Province in its financial statements. While the Province continues to accrue for these costs each year and to fund them annually when due, the Auditor General has requested and management has agreed that the Fund also recognize the liability for these costs in these financial statements. This change in accounting policy was implemented in the current year and has been applied retroactively.

The effect of this change is as follows:

	2006		2006
	Previously Stated	Increase (Decrease)	Restated
		($000)	
Employee Future Benefits Obligations	–	395	395
Employee Benefits Expense	166	45	211

b) Employee Benefits

The Fund's employees are entitled to benefits that have been negotiated centrally for Ontario Public Service employees. The future liability for benefits earned by the Fund's employees is recognized in the Province's consolidated financial statements. These benefits are accounted for by the Fund as follows:

Employee Future Benefits Obligation

The costs of any legislated severance and unused vacation entitlements earned by employees are recognized when earned by eligible employees. Legislated severance was non-actuarially estimated based on one week pay for every year of service for those employees with a minimum of five years of service. These costs for the year amount to $108K, (2006 - $108k) and are included in salaries and employee benefits in operating expenses.

Other Non-Pension Post-Employment Benefits

The cost of other non-pension post-employment benefits is determined and funded on an ongoing basis by the Ontario Ministry of Government Services and accordingly is not included in these financial statements.

Ontario

5. UNPAID CLAIMS AND ADJUSTMENT EXPENSES

a) The Fund's unpaid claims and adjustment expenses consist of the following:

	March 31, 2007		March 31, 2006	
	Gross	**Recoverable**	Gross	Recoverable
	(000's)	**(000's)**	(000's)	(000's)
ACCIDENT BENEFITS				
Statutory accident benefits	**$ 98,093**	**$ –**	$ 72,368	$ –
THIRD PARTY LIABILITY (TPL)				
Property damage	**1,115**	**60**	1,027	71
Bodily injury	**75,338**	**6,808**	67,782	7,173
Total TPL	**76,453**	**6,868**	68,809	7,244
Totals	**$ 174,546**	**$ 6,868**	$ 141,177	$ 7,244

b) The change in gross provision for claims and adjustment expenses is as follows:

	March 31, 2007	March 31, 2006
	(000's)	(000's)
Unpaid claims and adjustment expenses, beginning of year	**$ 141,177**	$ 128,490
Increase (decrease) in provision for losses that occurred in prior years	**23,887**	(1,374)
Amounts paid during the year on claims of prior years:		
Statutory Payments	**(17,388)**	(8,377)
Claims Expenses	**(6,130)**	(5,598)
Amounts paid during the year on claims of the current year:		
Statutory Payments	**(576)**	(815)
Claims Expenses	**(203)**	(545)
Provision for losses on claims that occurred in the current year	**33,779**	29,396
Unpaid claims and adjustment expenses, end of year	**$ 174,546**	$ 141,177

6. ROLE OF THE ACTUARY AND AUDITOR

The FSCO retains the Fund's actuary. The actuary's responsibility is to carry out an annual valuation of the Fund's liabilities, which include provision for unpaid claims and adjustment expenses in accordance with accepted actuarial practice. In performing the valuation, the actuary makes assumptions as to the future rates of claims frequency and severity, inflation, recoveries, and expenses taking into consideration the circumstances of the Fund. The actuary in his verification of the underlying data used in the valuation also makes use of the work of the external auditor. The actuary's report outlines the scope of his work and opinion.

The external auditors act under the direction of the Auditor General of Ontario pursuant to agreed terms of engagement. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with Canadian generally accepted auditing standards and report thereon to the Audit Committee of the FSCO. In carrying out their audit, the auditors also consider the work of the actuary and his report on the provision for claims and claim expenses. The auditors' report outlines the scope of their audit and their opinion

7. CONTINGENT GAINS

Some payments out of the Fund are in the form of structured settlements for accident benefit claims. These claims have guarantee periods ranging from 10 to 30 years and during this period the reversionary interest will be payable to Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance, should the claimant die.

Even though the range of probability that the claimant may die during the guarantee period is slight, the Fund nevertheless has calculated the approximate reversionary interest represented by insurance on the claimant lives as at March 31, 2007 for information purposes.

As at March 31, 2007, the amount paid out of the Fund for accident benefit claims in the form of structured settlements was approximately $12.4 million (2006 - $ 9.0 million) with applicable reversionary interest of approximately $ 8.7 million (2006- $ 4.9 million).

THE FINANCIAL SERVICES COMMISSION OF ONTARIO

SUPERINTENDENT'S REPORT ON INSURANCE 2006

SUPERINTENDENT'S REPORT ON INSURANCE 2006

The following information was obtained from the annual filings and, in the case of federally registered insurers, from the Office of the Superintendent of Financial Institutions. While every effort has been made to ensure the accuracy of this report, decisions should not be made solely on the information contained in it. Other sources should also be consulted. Any material changes to this information will be reported to the Minister of Finance and published in The Ontario Gazette.

The information is organized by type of insurer, and insurers are listed alphabetically within each group.

Summary Financial Information 85
Property and Casualty Companies 88
Life Insurance Companies 104
Reinsurance Companies 112
Reciprocal or Interinsurance Exchanges 116
Fraternal Societies 118
Financial Summary Notes 120

The Honourable Dwight Duncan
Minister of Finance
7 Queen's Park Crescent
Toronto ON M7A 1Y7

Dear Minister:

I am pleased to present the 128th annual report under Section 36 of the *Insurance Act* for the year ended December 31, 2006. Prior to the creation of the Financial Services Commission of Ontario, this report was issued by the Superintendent of Insurance.

In addition to the information contained in this report, a listing of all licensed insurers is published each July in *The Ontario Gazette*. This list contains the names of the insurers, their addresses, telephone numbers, chief agents, and the classes for which they are licensed. During the year, information concerning newly licensed insurers and changes to existing licences is also published in Bulletins issued by the Financial Services Commission of Ontario. Any broker or member of the public can verify whether a particular insurer is licensed by calling our offices at (416) 250-7250. This information is also available on the Commission's Internet site – www.fsco.gov.on.ca.

News releases containing other information of public interest are made throughout the year. These announcements can effectively reach a large number of Ontario residents. Information is also supplied to industry trade associations for inclusion in their publications to reach more specialized audiences. The Financial Services Commission of Ontario issues Bulletins as required to provide information to insurers and other individuals interested in the insurance industry.

Yours sincerely,

Bob Christie
Chief Executive Officer and
Superintendent of Financial Services

Ontario

SUMMARY FINANCIAL INFORMATION

SUMMARY OF COMPANIES LICENCED BY TYPE OF BUSINESS ACTIVITY

as at December 31, 2006, and December 31, 2005

					Analysis of 2006 total		
Business Type	**Total 2005**	**Additions**	**Withdrawals**	**Total 2006**	**Ontario**	**Extra Provincial**	**Federal**
Property & Casualty Companies	221	5	8	218	62	12	144
Life Insurance Companies	100	3	2	101	4	16	81
Reinsurance Companies	42	1	1	42	2	1	39
Reciprocal Exchanges	10	1	1	10	8	1	1
Fraternal Societies	24	0	0	24	3	0	21
Totals	397	10	12	395	79	30	286

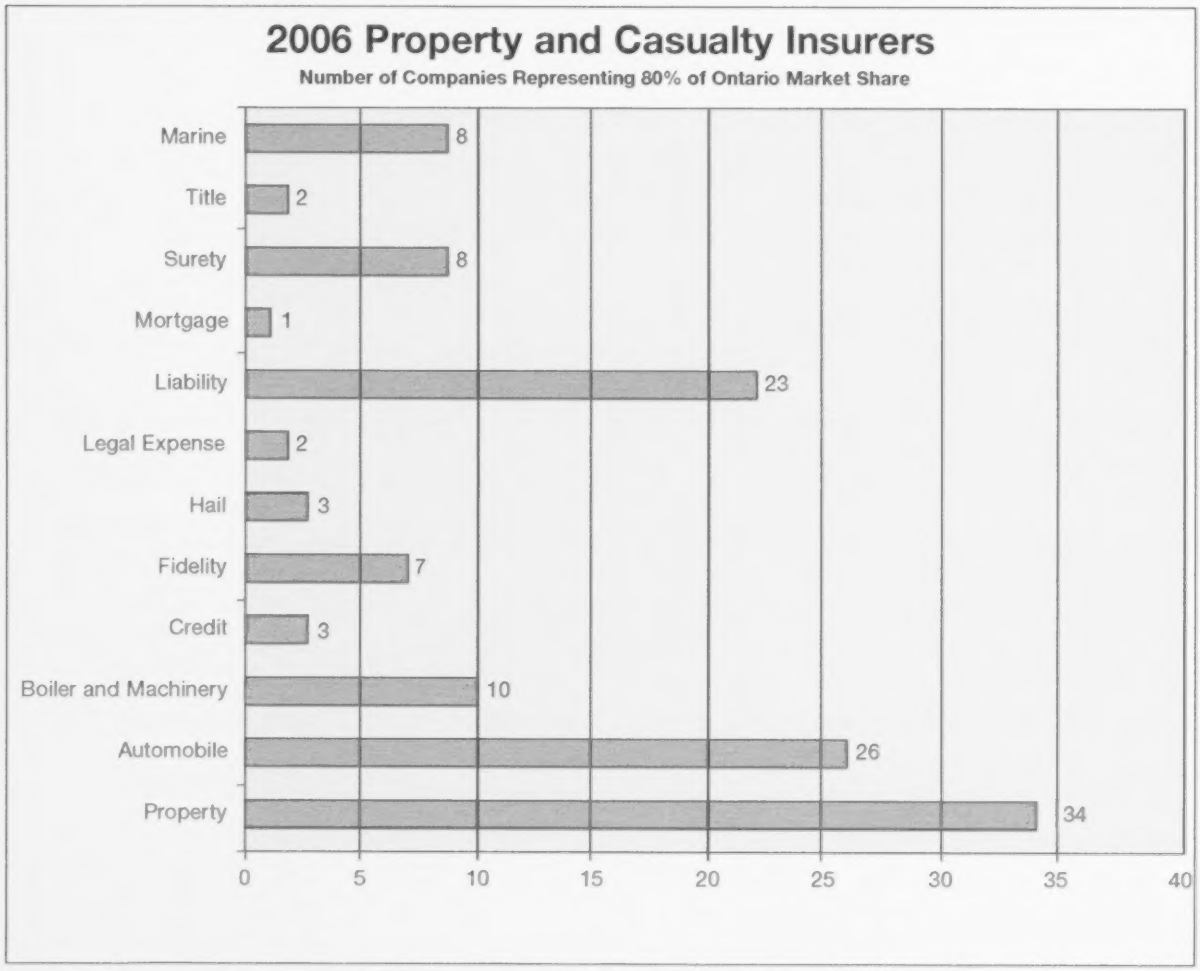
Notes:

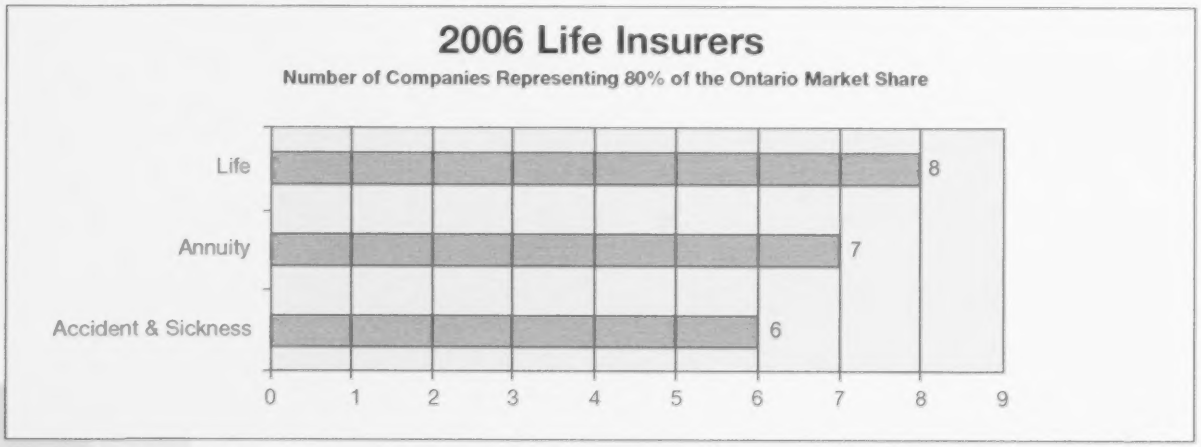
1. Companies writing both property & casualty and life business are listed under Life in the above summary. Their financial performance is shown separately by business type in the following report.

2. Branch operations are included in the Federal totals.

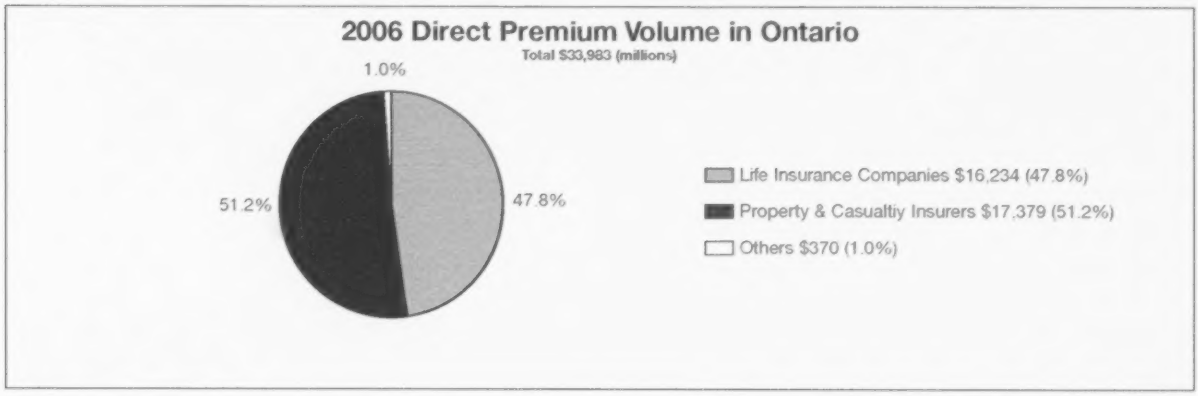
3. The Superintendent's Report 2006 records figures as of the end of the calendar year (December 31, 2006), based on the company's annual filings. The Financial Services Commission of Ontario Annual Report 2006–2007, records figures as of the end of the fiscal year (March 31, 2007).

To gauge the level of competition, FSCO calculates how many companies represent 80 percent of the market for key products. Please note that effective in 2006, these figures are based on individual companies rather than groups of affiliated companies.

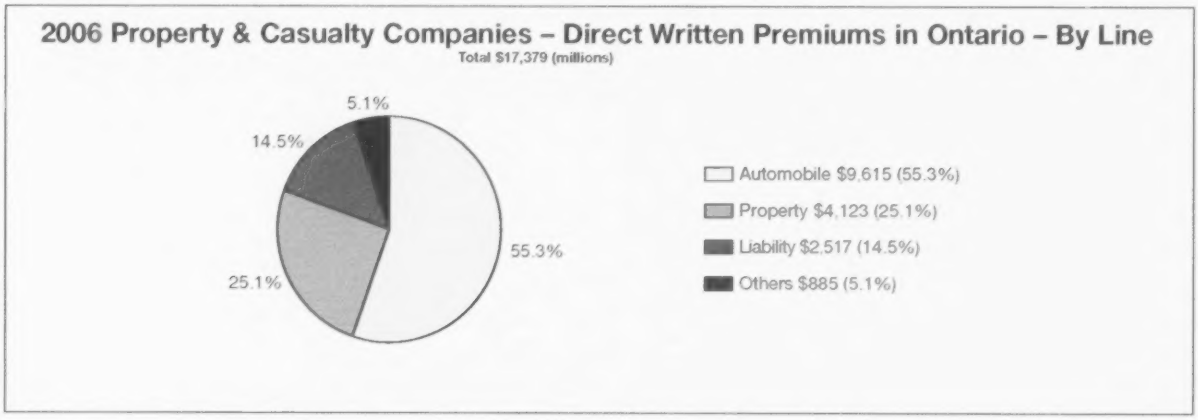



2006 Life Insurers
Number of Companies Representing 80% of the Ontario Market Share
Life 8
Annuity 7
Accident & Sickness 6
0 1 2 3 4 5 6 7 8 9

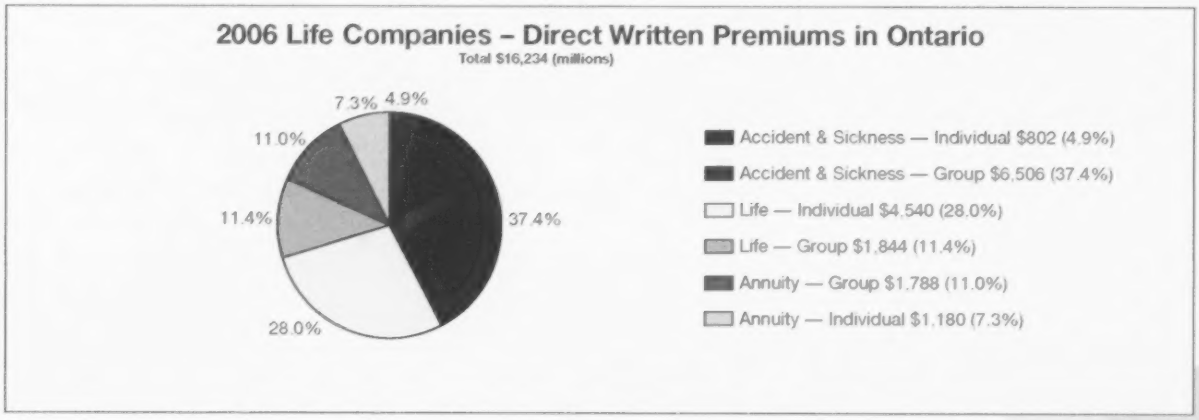
Insurance is a $33 billion business in Ontario. In 2006, of the the total premium dollar, 47.8 per cent went to the life insurance industry and 51.2 percent went to the property and casualty (including automobile) insurers.



P&C insurers received $17.3 billion in premiums in 2006. The split among automobile, property and liability insurance was unchanged year over year.



The broad pattern among life insurance companies likewise remained constant. Of the $16 billion spent on premiums to the life insurers, 18.3 percent went to buy annuities, 39.4 percent to purchase individual and group life coverage and 42.3 percent to obtain accident and sickness insurance.



PROPERTY AND CASUALTY INSURANCE COMPANIES

FINANCIAL SUMMARY

ONTARIO BUSINESS

year ended December 31, 2006 (in thousands)

Note		Direct written premiums $	Direct claims incurred $
	ONTARIO		
	Algoma Mutual Insurance Company	8,025	4,657
	Amherst Island Mutual Insurance Company	499	919
	Ayr Farmers Mutual Insurance Company	14,519	7,435
	Bay of Quinte Mutual Insurance Co.	13,952	6,999
	Bertie and Clinton Mutual Insurance Company	8,335	5,203
	Brant Mutual Insurance Company	5,672	5,204
	CAA Insurance Company (Ontario)	105,414	74,277
	Caradoc Delaware Mutual Fire Insurance Company	1,230	570
	Cayuga Mutual Insurance Company	5,079	3,317
	Coachman Insurance Company	29,015	9,718
	Commerce and Industry Insurance Company of Canada	53,720	42,962
	Coronation Insurance Company, Limited	0	0
	Culross Mutual Insurance Company	1,384	2,530
	Dufferin Mutual Insurance Company	6,990	6,287
	Dumfries Mutual Insurance Company	11,304	7,018
	Erie Mutual Fire Insurance Company	4,571	3,754
	Farmers' Mutual Insurance Company (Lindsay)	60,091	39,725
	Fenchurch General Insurance Company	471	331
	GCAN Insurance Company	78,179	10,110
	Germania Farmers' Mutual Fire Insurance Company	9,202	4,827
1	Glengarry Farmers' Mutual Fire Insurance Company	0	0
	Glengarry Mutual Insurance Company	8,109	3,913
	Grenville Mutual Insurance Company	12,991	13,017
	Grey & Bruce Mutual Insurance Company	1,592	1,171
	Halwell Mutual Insurance Company	12,310	7,476
	Hamilton Township Mutual Insurance Company	14,916	6,167
	Hay Mutual Insurance Company	6,925	5,143
	Heritage General Insurance Company	10,637	(541)
	Howard Mutual Insurance Company	6,905	2,999
	Howick Mutual Insurance Company	10,166	7,389

Ontario

TOTAL COMPANY

Total assets $	Total liabilities $	Excess of assets over liabilities $	Claims incurred to earned premium %	Net income/ (loss) $
13,473	8,967	4,506	50%	454
2,162	903	1,259	41%	62
41,756	22,349	19,407	60%	2,401
28,329	11,854	16,475	51%	1,625
38,229	15,415	22,814	58%	1,554
18,196	10,929	7,267	75%	71
341,822	276,415	65,407	70%	5,215
7,227	971	6,256	62%	210
17,578	6,825	10,753	79%	68
120,285	92,620	27,665	35%	10,348
904,832	761,585	143,247	64%	25,512
4,068	882	3,186	n/a	(17)
4,274	3,279	995	66%	(54)
18,033	13,272	4,761	82%	(787)
37,278	17,184	20,094	51%	1,926
21,973	8,147	13,826	52%	697
162,229	112,380	49,849	66%	6,005
10,367	4,364	6,003	18%	291
635,483	507,683	127,800	46%	21,174
18,944	10,555	8,389	62%	634
0	0	0	n/a	0
17,797	8,274	9,523	53%	837
52,924	24,211	28,713	95%	(1,003)
4,282	1,772	2,510	71%	(282)
31,315	16,331	14,984	52%	1,934
33,537	19,692	13,845	33%	2,756
33,200	10,165	23,035	64%	1,156
17,810	2,136	15,674	55%	2,039
33,134	9,099	24,035	50%	1,900
20,955	13,386	7,569	76%	434

PROPERTY AND CASUALTY INSURANCE COMPANIES

FINANCIAL SUMMARY — ONTARIO BUSINESS

year ended December 31, 2006 (in thousands)

Note	ONTARIO cont.	Direct written premiums $	Direct claims incurred $
	Kent & Essex Mutual Insurance Company	14,023	8,474
	Kingsway General Insurance Company	274,410	187,397
	L&A Mutual Insurance Company	5,683	4,857
	Lambton Mutual Insurance Company	13,635	9,508
	Lanark Mutual Insurance Company	20,414	12,774
	Lawyers' Professional Indemnity Company	86,761	69,847
2	Markham General Insurance Company	0	0
	Max Canada Insurance Company	4,148	1,329
	Mckillop Mutual Insurance Company	7,239	4,908
	Middlesex Mutual Insurance Co.	7,991	6,977
	Norfolk Mutual Insurance Company	4,664	2,322
	North Blenheim Mutual Insurance Company	7,203	3,062
	North Kent Mutual Fire Insurance Company	5,578	2,834
	Oxford Mutual Insurance Company	8,972	3,687
	Peel Maryborough Mutual Insurance Company	12,342	10,399
	Peel Mutual Insurance Company	26,797	13,739
	Premier Insurance Company	0	572
3	Prescott Mutual Insurance Company	0	0
	Pro-demnity Insurance Company	17,287	6,771
	South Easthope Mutual Insurance Company	10,904	9,352
	The West Wawanosh Mutual Insurance Company	13,012	8,082
	The Westminster Mutual Insurance Company	6,253	4,202
	The Yarmouth Mutual Fire Insurance Company	5,434	2,986
	Town & Country Mutual Insurance Company	8,239	4,795
	Townsend Farmers' Mutual Fire Insurance Company	4,544	2,724
	Tradition Mutual Insurance Company	10,075	18,581
	Trillium Mutual Insurance Company	29,349	18,263
	TTC Insurance Company Limited	0	0
	Usborne And Hibbert Mutual Fire Insurance Company	4,924	6,247
	Wabisa Mutual Insurance Company	5,364	5,744

Ontario

TOTAL COMPANY

Total assets $	Total liabilities $	Excess of assets over liabilities $	Claims incurred to earned premium %	Net income/ (loss) $
48,151	19,446	28,705	57%	2,091
1,047,417	918,478	128,939	84%	13,760
10,923	6,306	4,617	86%	(243)
48,383	23,689	24,694	61%	1,112
58,340	25,793	32,547	60%	3,022
456,249	337,230	119,019	88%	9,398
0	0	0	n/a	0
11,810	4,958	6,852	44%	475
20,495	12,404	8,091	58%	886
23,975	10,708	13,267	56%	793
14,387	6,536	7,851	40%	1,194
18,399	6,826	11,573	48%	1,410
27,318	9,255	18,063	53%	1,214
23,012	13,998	9,014	60%	1,286
31,441	18,216	13,225	60%	1,006
61,274	34,217	27,057	56%	3,542
2,533	4	2,529	n/a	(516)
0	0	0	n/a	0
84,347	61,561	22,786	78%	22
31,175	14,705	16,470	81%	755
40,432	25,684	14,748	45%	2,729
13,084	8,653	4,431	59%	538
13,857	4,977	8,880	63%	314
24,389	12,015	12,374	60%	572
15,976	8,734	7,242	49%	537
36,865	25,546	11,319	80%	(130)
78,096	53,596	24,500	61%	3,560
46,155	46,055	100	n/a	0
34,264	7,791	26,473	75%	1,533
17,196	12,521	4,675	104%	(1,007)

PROPERTY AND CASUALTY INSURANCE COMPANIES

FINANCIAL SUMMARY

year ended December 31, 2006 (in thousands)

Note		ONTARIO BUSINESS Direct written premiums $	Direct claims incurred $
	ONTARIO cont.		
	West Elgin Mutual Insurance Company	9,326	7,573
	York Fire & Casualty Insurance Company	135,746	93,288
		1,262,720	813,871
	EXTRA PROVINCIAL		
	Alberta Motor Association Insurance Company	0	0
	Belair Insurance Company Inc.	39,347	23,926
	Canadian Farm Insurance Corp.	597	175
	GMS Insurance Inc.	1,152	457
	Industrial-alliance Pacific General Insurance Corporation	2,979	409
	Innovative Insurance Corporation	24	0
4	L'unique General Insurance Inc.	0	0
5	La Mutuelle D'église De L'inter-ouest	12	0
	Optimum Insurance Company Inc.	30,658	18,203
	SGI Canada Insurance Services Ltd.	113	22
	The Canadian Union Insurance Company	2,175	233
	Trans Global Insurance Company	8,603	1,209
		85,660	44,634
	FEDERAL		
	Ace Ina Insurance	141,819	102,436
	Allstate Insurance Company Of Canada	311,380	184,596
6	Alta Surety Company	0	0
	Ascentus Insurance Ltd.	10,164	5,647
	Aviva Insurance Company Of Canada	470,020	262,757
	Axa Insurance (Canada) Axa Assurances (Canada)	272,060	191,051
	Axa Pacific Insurance Company	7,893	5,171
	Canadian Direct Insurance Incorporated	0	0
	Canadian Northern Shield Insurance Company	416	252
	Certas Direct Insurance Company	96,967	66,778
	Chubb Insurance Company Of Canada	340,855	147,542
	Commonwealth Insurance Company	32,602	6,027

Ontario

TOTAL COMPANY

Total assets $	Total liabilities $	Excess of assets over liabilities $	Claims incurred to earned premium %	Net income/ (loss) $
37,601	21,972	15,629	49%	1,702
314,065	268,428	45,637	72%	2,365
5,383,101	4,011,947	1,371,154		141,080
388,156	280,591	107,565	65%	41,542
874,826	602,332	272,494	59%	50,862
9,056	6,307	2,749	62%	(670)
10,209	4,156	6,053	80%	(1,671)
60,228	44,702	15,526	75%	1,849
5,269	2,076	3,193	43%	44
0	0	0	n/a	0
5,101	169	4,932	16%	321
176,598	140,227	36,371	50%	4,784
112,737	46,357	66,380	60%	13,125
424,080	340,707	83,373	68%	6,684
15,720	10,148	5,572	10%	2,379
2,081,980	1,477,772	604,208		119,249
1,030,268	786,399	243,869	53%	56,270
1,478,123	1,047,750	430,373	59%	128,635
0	0	0	n/a	0
59,300	45,260	14,040	59%	774
3,329,901	2,688,105	641,796	58%	196,012
1,278,780	1,119,426	159,354	60%	25,913
972,005	773,625	198,380	53%	41,626
166,711	131,017	35,694	66%	6,940
256,783	209,418	47,365	62%	1,615
391,493	293,654	97,839	65%	25,663
2,030,075	1,439,947	590,128	48%	130,080
1,462,935	1,132,163	330,772	149%	2,637

PROPERTY AND CASUALTY INSURANCE COMPANIES

FINANCIAL SUMMARY

ONTARIO BUSINESS

year ended December 31, 2006 (in thousands)

Note		Direct written premiums $	Direct claims incurred $
	FEDERAL cont.		
	Constitution Insurance Company Of Canada	0	50
	Co-operators General Insurance Company	670,119	477,119
	Coseco Insurance Company	141,549	120,603
	Cumis General Insurance Company	29,183	30,564
	Echelon General Insurance Company	98,647	57,480
	Economical Mutual Insurance Company	947,219	608,278
	Elite Insurance Company	59,011	27,884
	Everest Insurance Company Of Canada	0	4
	FCT Insurance Company Ltd.	50,998	19,208
	Federated Insurance Company Of Canada	53,758	25,804
	Federation Insurance Company Of Canada	70,928	60,799
	First North American Insurance Company	785	434
	Genworth Financial Mortgage Insurance Company Canada	295,865	35,597
	Gold Circle Insurance Company	0	0
	Gore Mutual Insurance Company	147,402	84,241
	Grain Insurance And Guarantee Company	9,944	1,861
7	Granite Insurance Company	0	0
	ING Insurance Company Of Canada	1,293,575	798,744
	ING Novex Insurance Company Of Canada	102,502	72,158
	Jevco Insurance Company	11,769	8,700
	Legacy General Insurance Company	14,078	3,091
	Lombard General Insurance Company Of Canada	407,180	231,810
	Lombard Insurance Company	114,704	78,484
	London And Midland General Insurance Company	33,196	2,813
	Markel Insurance Company Of Canada	164,567	131,859
	Old Republic Insurance Company Of Canada	32,203	28,549
	Omega General Insurance Company	2,366	758
	Pafco insurance company	91,102	75,306
	Pembridge Insurance Company	54,541	21,153
	Perth Insurance Company	114,638	73,866

Ontario

			TOTAL COMPANY	
Total assets	Total liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net income/ (loss)
$	$	$	%	$
3,005	662	2,343	n/a	(23)
3,419,033	2,382,127	1,036,906	69%	118,121
419,993	342,624	77,369	81%	1,848
132,629	110,821	21,808	75%	2,117
272,604	197,953	74,651	58%	15,995
3,923,611	2,772,058	1,151,553	69%	130,004
254,084	199,146	54,938	60%	14,450
4,942	682	4,260	n/a	(5)
108,841	71,019	37,822	32%	8,866
413,457	317,884	95,573	56%	26,555
581,574	494,476	87,098	69%	7,757
7,591	797	6,794	21%	606
3,296,860	1,945,658	1,351,202	14%	250,453
4,370	61	4,309	n/a	134
421,943	294,346	127,597	63%	12,177
71,755	51,138	20,617	43%	4,604
0	0	0	n/a	0
6,248,887	5,288,149	960,738	59%	287,149
391,794	337,438	54,356	59%	6,308
575,585	439,626	135,959	60%	29,243
38,824	(3,903)	42,727	4%	8,253
2,246,566	1,700,099	546,467	58%	125,179
394,950	283,775	111,175	77%	8,818
364,770	151,197	213,573	12%	54,125
804,129	631,420	172,709	68%	32,945
187,864	133,071	54,793	59%	5,852
16,225	2,864	13,361	30%	(701)
191,431	152,212	39,219	80%	(4,027)
473,417	270,290	203,127	49%	21,684
391,671	340,128	51,543	69%	5,566

PROPERTY AND CASUALTY INSURANCE COMPANIES

FINANCIAL SUMMARY

ONTARIO BUSINESS

year ended December 31, 2006 (in thousands)

Note		Direct written premiums $	Direct claims incurred $
	FEDERAL cont.		
8	Pilot Insurance Company	658,385	576,102
	Primmum Insurance Company	174,475	97,135
	Quebec Assurance Company	0	(272)
	RBC General Insurance Company	264,568	187,227
	RBC Travel Insurance Company	97,275	38,731
	Royal & Sun Alliance Insurance Company Of Canada	365,715	210,016
	S & Y Insurance Company	61,120	32,869
	Scotia General Insurance Company	0	0
9	Scottish & York Insurance Co. Limited	192,838	132,915
	Securican General Insurance Company	9,150	5,091
	Security National Insurance Company	568,015	384,447
	St. Paul Guarantee Insurance Company	78,411	35,187
	TD Direct Insurance Inc.	0	0
	TD General Insurance Company	165,788	115,301
	TD Home And Auto Insurance Company	213,527	175,192
	Temple Insurance Company	85,284	12,094
	The Boiler Inspection And Insurance Company Of Canada	17,240	4,615
	The Dominion Of Canada General Insurance Company	711,593	428,543
	The Guarantee Company Of North America	228,330	146,046
	The Missisquoi Insurance Company	274	(894)
	The Mortgage Insurance Company Of Canada	0	(563)
	The Nordic Insurance Company Of Canada	140,056	65,383
	The North Waterloo Farmers Mutual Insurance Company	42,160	23,710
	The Personal Insurance Company	317,958	247,186
	The Portage La Prairie Mutual Insurance Company	19,079	13,246
	The Sovereign General Insurance Company	61,913	36,198
	The Wawanesa Mutual Insurance Company	430,873	312,902
	Traders General Insurance Company	327,250	230,906
	Trafalgar Insurance Company Of Canada	97,953	55,961
	Trisura Guarantee Insurance Company	4,159	543

Ontario

TOTAL COMPANY

Total assets $	Total liabilities $	Excess of assets over liabilities $	Claims incurred to earned premium %	Net income/ (loss) $
1,797,174	1,500,833	296,341	86%	8,437
966,449	804,491	161,958	65%	38,993
98,974	70,077	28,897	59%	3,154
746,781	566,825	179,956	73%	32,117
241,735	104,253	137,482	26%	15,768
3,409,410	2,639,086	770,324	59%	81,040
139,317	115,407	23,910	73%	(1,856)
7,098	1	7,097	0%	100
708,951	593,744	115,207	70%	9,463
23,340	15,739	7,601	54%	924
2,601,126	1,774,682	826,444	71%	153,351
728,495	502,243	226,252	42%	28,461
13,159	202	12,957	n/a	312
424,284	360,497	63,787	72%	14,421
1,148,055	955,005	193,050	67%	39,762
805,042	652,213	152,829	30%	34,269
201,060	123,880	77,180	22%	19,778
2,629,599	1,904,732	724,867	63%	149,523
983,512	513,874	469,638	56%	46,997
469,984	380,515	89,469	69%	8,319
36,325	12,508	23,817	-42%	3,815
3,429,305	2,486,256	943,049	59%	263,490
82,738	52,870	29,868	61%	1,638
1,054,590	852,032	202,558	76%	31,246
249,727	166,863	82,864	61%	11,109
510,013	404,918	105,095	57%	12,542
4,107,213	2,418,533	1,688,680	69%	167,100
1,058,686	852,291	206,395	69%	37,443
345,766	278,625	67,141	59%	8,907
28,408	6,069	22,339	33%	(2,711)

PROPERTY AND CASUALTY INSURANCE COMPANIES

Ontario

FINANCIAL SUMMARY		ONTARIO BUSINESS
year ended December 31, 2006 (in thousands)	Direct written premiums $	Direct claims incurred $
FEDERAL cont.		
Unifund Assurance Company	279,222	179,125
Waterloo Insurance Company	50,972	39,780
Western Assurance Company	78,761	42,837
Western Surety Company	2,012	(258)
XL Insurance Company Limited	42,104	16,830
Zenith Insurance Company	39,841	31,048
	12,522,306	7,924,653
BRANCH		
Affiliated FM Insurance Company	29,018	17,350
Allianz Global Risks US Insurance Company	74,700	32,813
Allstate Insurance Company	0	0
American Bankers Insurance Company Of Florida	106,039	9,815
American Home Assurance Company	309,398	206,567
Arch Insurance Company	14,405	4,635
Atradius Credit Insurance N.V.	1,287	78
Avemco Insurance Company	0	(13)
Aviation & General Insurance Company Limited	0	2
10 Aviva International Limited	94	(1,502)
Axa Corporate Solutions Assurance	4,694	1,595
Centennial Insurance Company	47	(376)
Chicago Title Insurance Company	7,946	2,862
Compagnie Francaise D'assurance Pour Le Commerce Exterieur	9,194	3,742
Continental Casualty Company	96,407	61,426
Daimlerchrysler Insurance Company	2,720	(281)
Eagle Star Insurance Company Limited	(13)	(809)
Ecclesiastical Insurance Office Public Limited Company	13,358	5,235
Electric Insurance Company	0	0
Employers Insurance Company Of Wausau	0	1,209
Employers Reinsurance Corporation	70,986	61,854
Euler American Credit Indemnity Company	18,935	5,603

Ontario

TOTAL COMPANY

Total assets $	Total liabilities $	Excess of assets over liabilities $	Claims incurred to earned premium %	Net income/ (loss) $
1,003,195	816,727	186,468	64%	46,897
269,456	216,276	53,180	69%	3,955
604,960	493,243	111,717	59%	14,009
31,285	18,052	13,233	3%	3,332
319,891	221,413	98,478	58%	12,191
147,667	95,781	51,886	54%	6,140
69,541,549	51,545,338	17,996,211		3,096,654
172,376	113,604	58,772	40%	20,058
590,005	519,183	70,822	70%	5,109
0	0	0	n/a	0
311,413	192,638	118,775	13%	12,389
3,389,593	2,481,930	907,663	64%	151,603
78,236	54,470	23,766	76%	113
15,123	5,966	9,157	37%	(586)
3,018	118	2,900	n/a	(5)
1,085	83	1,002	n/a	(39)
44,690	10,647	34,043	39400%	2,544
125,130	80,659	44,471	2%	5,816
13,874	3,230	10,644	-1259%	796
17,862	7,980	9,882	21%	2,247
38,398	21,796	16,602	59%	(896)
836,783	580,961	255,822	51%	46,447
42,025	8,212	33,813	56%	4,339
29,321	13,944	15,377	-2222%	182
119,867	72,031	47,836	39%	3,967
13,300	7,006	6,294	99%	(103)
56,327	11,299	45,028	n/a	1,916
1,339,080	786,606	552,474	75%	22,519
84,159	43,488	40,671	55%	6,264

PROPERTY AND CASUALTY INSURANCE COMPANIES

Ontario

FINANCIAL SUMMARY

ONTARIO BUSINESS

year ended December 31, 2006 (in thousands)

Note		Direct written premiums $	Direct claims incurred $
	BRANCH cont.		
	Factory Mutual Insurance Company	105,019	40,517
	Federal Insurance Company	1,673	2
	First American Title Insurance Company	9,010	1,276
	General Reinsurance Corporation	0	0
	Great American Insurance Company	30,423	27,412
	Great American Insurance Company Of New York	0	17
	Hartford Fire Insurance Company	12,494	3,428
	Icarom Public Limited Company	0	414
	Jewelers Mutual Insurance Company	1,909	930
	Lawyers Title Insurance Corporation	233	995
	Liberty Mutual Fire Insurance Company	(10)	80
	Liberty Mutual Insurance Company	83,986	124,625
	Lloyd's Underwriters	378,430	14,417
	Lumbermens Mutual Casualty Company	(122)	(999)
	Mitsui Sumitomo Insurance Company, Limited	12,352	6,725
	Motors Insurance Corporation	196,899	157,375
11	Munich Reinsurance America, Inc.	0	11,463
	National Liability & Fire Insurance Company	12,816	4,684
	Nipponkoa Insurance Company, Limited	741	217
	North American Specialty Insurance Company	791	57
	Pearl Assurance Public Limited Company	0	140
	Progressive Casualty Insurance Company	0	1,389
	Protective Insurance Company	260	171
	Providence Washington Insurance Company	0	31
12	Reliance Insurance Company	0	0
	Security Insurance Company Of Hartford	97	(4,212)
	Sentry Insurance A Mutual Company	712	153
	Sompo Japan Insurance Inc.	2,907	(14)
	St. Paul Fire And Marine Insurance Company	79,502	29,175
	State Farm Fire And Casualty Company	320,565	202,318

Ontario

TOTAL COMPANY

Total assets $	Total liabilities $	Excess of assets over liabilities $	Claims incurred to earned premium %	Net income/ (loss) $
649,656	392,043	257,613	37%	89,388
133,723	55,479	78,244	20%	22,613
24,383	8,438	15,945	14%	5,264
532,594	386,389	146,205	44%	22,437
215,109	105,806	109,303	78%	28,909
3,332	194	3,138	n/a	137
315,218	88,836	226,382	42%	16,953
3,255	521	2,734	n/a	(399)
6,997	2,285	4,712	69%	(333)
6,677	2,219	4,458	-16%	(320)
9,795	1,622	8,173	-1345%	1,293
1,239,164	620,148	619,016	75%	32,455
2,872,800	2,065,688	807,112	11%	1,026,046
55,931	20,864	35,067	23688%	(4,821)
72,438	46,753	25,685	52%	4,120
698,599	465,666	232,933	76%	37,366
238,854	114,997	123,857	319%	5,037
186,959	66,153	120,806	39%	33,693
27,719	3,864	23,855	-19%	1,635
41,873	33,106	8,767	18%	2,484
1,623	159	1,464	n/a	(148)
68,474	18,191	50,283	n/a	1,108
8,843	1,606	7,237	86%	52
11,175	356	10,819	105%	278
0	0	0	n/a	0
143,974	61,728	82,246	-2294%	9,520
28,123	5,253	22,870	35%	1,235
34,710	6,899	27,811	43%	1,603
1,200,579	668,269	532,310	60%	55,223
913,384	504,371	409,013	64%	33,349

PROPERTY AND CASUALTY INSURANCE COMPANIES

FINANCIAL SUMMARY

ONTARIO BUSINESS

year ended December 31, 2006 (in thousands)

Note		Direct written premiums $	Direct claims incurred $
	BRANCH cont.		
	State Farm Mutual Automobile Insurance Company	955,635	629,920
	Stewart Title Guaranty Company	55,035	20,613
	T.H.E. Insurance Company	124	32
	The American Road Insurance Company	2,493	2,915
	The British Aviation Insurance Company Limited	3	(108)
	The Hanover Insurance Company	0	(4)
13	The Home Insurance Company	0	0
	TIG Insurance Company	(2)	(7,175)
	Tokio Marine & Nichido Fire Insurance Co., Ltd.	13,721	8,497
	UAP-Newrotterdam Insurance Company N.V.	0	991
	Utica Mutual Insurance Company	0	985
	Virginia Surety Company, Inc.	255	434
	XL Reinsurance America Inc.	24,138	14,283
	Zurich Insurance Company	447,201	292,143
		3,508,505	1,998,117
	Total	17,379,191	10,781,275

Ontario

TOTAL COMPANY

Total assets $	Total liabilities $	Excess of assets over liabilities $	Claims incurred to earned premium %	Net income/ (loss) $
3,516,734	2,277,864	1,238,870	67%	178,683
94,838	58,010	36,828	37%	6,754
1,764	363	1,401	-96%	178
23,429	2,241	21,188	121%	(637)
6,913	2,524	4,389	1338%	131
3,169	48	3,121	n/a	12
0	0	0	n/a	0
85,996	10,376	75,620	-482650%	12,685
77,459	43,865	33,594	48%	5,221
4,388	1,413	2,975	n/a	(951)
7,283	3,264	4,019	155%	97
31,604	2,941	28,663	98%	509
498,042	289,269	208,773	54%	20,310
2,338,821	1,767,670	571,151	68%	60,353
23,758,066	15,223,602	8,534,464		1,994,202
100,764,696	72,258,659	28,506,037		5,351,185

LIFE INSURANCE COMPANIES

FINANCIAL SUMMARY

year ended December 31, 2006 (in thousands)

Note		Direct written premiums $	ONTARIO BUSINESS Benefits and payments to policyholders $
	ONTARIO		
	CT Financial Assurance Company	4,101	1,344
	Revios Reinsurance Canada Ltd.	0	0
	Trent Health Insurance Company	0	(24)
	Union Of Canada Life Insurance	794	636
		4,895	1,956
	EXTRA PROVINCIAL		
	Acadia Life	0	0
	Assumption Mutual Life Insurance Company	4,587	2,427
	AXA Insurance Inc.	22,809	4,039
	Canassurance Insurance Company	1,741	937
	Desjardins Financial Security Life Assurance Company	496,694	379,012
	First Canadian Insurance Corporation	17,280	2,593
	Industrial Alliance Insurance And Financial Services Inc.	659,683	400,685
	La Capitale Insurance And Financial Services Inc.	0	0
	La Survivance, Compagnie Mutuelle D'assurance Vie	174	87
	L'entraide Assurance Mutual Company	0	0
	National Bank Life Insurance Company	9,886	2,526
	Promutuel Life Inc.	0	0
	SSQ, Life Insurance Company Inc.	78,442	49,287
	The International Life Insurance Company	0	0
14	The Union Life, A Mutual Assurance Company	0	0
	Trans Global Life Insurance Company	2,210	(13)
		1,293,506	841,580
	FEDERAL		
	Ace Ina Life Insurance	46,132	15,554
	AIG Assurance Canada	46,995	30,785
	AIG Life Insurance Company Of Canada	322,914	51,266
	Allstate Life Insurance Company Of Canada	0	0
	Assurant Life Of Canada	54,600	13,004
	Blue Cross Life Insurance Company Of Canada	17,083	8,138

Ontario

TOTAL COMPANY			
Total assets $	Total liabilities $	Excess of assets over liabilities $	Net Income/ (loss) $
27,233	17,782	9,451	544
61,353	37,112	24,441	(3,401)
29,659	789	28,870	2,401
75,073	63,395	11,678	553
193,518	119,078	74,440	97
62,490	42,836	19,654	2,035
473,157	402,723	70,434	5,101
698,884	620,711	78,173	4,105
74,971	43,584	31,387	187
12,732,814	11,801,445	931,369	145,778
206,352	141,947	64,405	14,530
11,144,183	9,517,217	1,626,966	227,894
134,976	98,957	36,019	3,084
161,217	134,630	26,587	3,316
56,769	49,498	7,271	643
108,355	41,661	66,694	34,651
9,449	4,995	4,454	(89)
1,868,739	1,664,146	204,613	25,892
31,323	19,435	11,888	1,729
0	0	0	0
8,705	2,490	6,215	694
27,772,404	24,586,275	3,186,129	469,550
61,236	35,478	25,758	5,582
622,260	569,379	52,881	14,164
1,703,069	1,478,345	224,724	40,437
3,447	27	3,420	50
543,917	504,513	39,404	4,819
249,094	192,692	56,402	3,881

LIFE INSURANCE COMPANIES

FINANCIAL SUMMARY

year ended December 31, 2006 (in thousands)

Note		ONTARIO BUSINESS Direct written premiums $	ONTARIO BUSINESS Benefits and payments to policyholders $
	FEDERAL cont.		
	BMO Life Insurance Company	18,393	1,207
	Canadian Premier Life Insurance Company	72,704	8,777
	CIBC Life Insurance Company Limited	13,046	3,908
	Cigna Life Insurance Company Of Canada	825	3,749
	Compcorp Life Insurance Company	0	0
15	Confederation Life Insurance Company	0	0
	Co-operators Life Insurance Company	322,265	182,659
	Crown Life Insurance Company	0	0
	Cumis Life Insurance Company	76,669	47,814
	Fidelity Investments Insurance Company Of Canada	0	0
	Industrial-alliance Pacific Life Insurance Company	93,361	41,008
	London Life Insurance Company	1,108,757	965,385
	Manulife Canada Ltd.	29,192	16,068
	MD Life Insurance Company	18,875	1,030
	Penncorp Life Insurance Company	25,955	6,720
	Primerica Life Insurance Company Of Canada	95,498	26,460
	RBC Life Insurance Company	471,191	211,754
	Reliable Life Insurance Company	29,228	16,623
	Scotia Life Insurance Company	9,285	894
	Sun Life Assurance Company Of Canada	3,069,113	2,607,395
	Sun Life Insurance (Canada) Limited	19,486	26
	TD Life Insurance Company	23,162	6,412
	The Canada Life Assurance Company	1,364,419	918,481
	The Canada Life Insurance Company Of Canada	0	0
	The Empire Life Insurance Company	338,988	254,946
	The Equitable Life Insurance Company Of Canada	231,401	164,080
	The Great-west Life Assurance Company	1,935,608	1,478,339
	The Manufacturers Life Insurance Company	3,612,071	2,835,059
	The Standard Life Assurance Company Of Canada	759,076	778,820
	The Wawanesa Life Insurance Company	16,885	11,504

Ontario

		TOTAL COMPANY	
Total assets $	Total liabilities $	Excess of assets over liabilities $	Net Income/ (loss) $
59,047	3,962	55,085	19,128
124,083	32,528	91,555	18,921
30,167	(27,634)	57,801	7,017
40,683	31,324	9,359	2,161
10,000	201	9,799	(46)
0	0	0	0
2,464,175	1,967,440	496,735	30,033
691,623	473,101	218,522	15,719
600,880	520,539	80,341	14,843
8,281	863	7,418	(122)
2,155,169	1,874,148	281,021	51,432
22,387,616	20,059,242	2,328,374	396,529
4,205,803	3,642,366	563,437	30,973
276,593	242,203	34,390	4,097
261,938	199,205	62,733	12,335
482,675	4,986	477,689	72,034
4,804,394	3,551,424	1,252,970	104,822
49,170	25,651	23,519	2,246
59,005	(25,589)	84,594	13,746
72,115,483	62,359,391	9,756,092	1,411,118
195,271	19,463	175,808	(192)
23,580	(3,750)	27,330	1,305
15,952,258	11,866,419	4,085,839	634,999
4,302,173	4,114,140	188,033	6,176
3,252,862	2,733,104	519,758	55,430
1,094,317	911,128	183,189	16,147
23,701,205	13,040,337	10,660,868	1,570,957
53,390,780	38,814,205	14,576,575	2,798,302
15,903,769	14,743,054	1,160,715	207,524
446,663	370,460	76,203	2,342

LIFE INSURANCE COMPANIES

FINANCIAL SUMMARY

year ended December 31, 2006 (in thousands)

Note		ONTARIO BUSINESS	
		Direct written premiums $	Benefits and payments to policyholders $
	FEDERAL cont.		
	Transamerica Life Canada	297,973	162,084
	Unity Life Of Canada	76,997	29,586
	Western Life Assurance Company	13,583	5,971
		14,631,730	10,905,506
	BRANCH		
	Aetna Life Insurance Company	593	1,048
	Allianz Life Insurance Company Of North America	3,132	347
	American Bankers Life Assurance Company Of Florida	67,119	10,716
	American Health And Life Insurance Company	9,832	2,578
	American Income Life Insurance Company	17,282	2,580
	Amex Assurance Company	1,096	0
	AXA Equitable Life Insurance Company	49	906
	Combined Insurance Company Of America	39,245	15,854
	Connecticut General Life Insurance Company	4,713	4,684
	Cuna Mutual Insurance Society	180	369
	Fidelity Investments Life Insurance Company	0	0
	First Allmerica Financial Life Insurance Company	23	7
	Forethought Life Insurance Company	189	3,352
	General American Life Insurance Company	0	0
	Gerber Life Insurance Company	1,202	95
	Hartford Life Insurance Company	0	208
	Household Life Insurance Company	18,275	3,835
	John Alden Life Insurance Company	0	0
	John Hancock Life Insurance Company	24	17
	Liberty Life Assurance Company Of Boston	162	253
	Life Insurance Company Of North America	1,815	2,422
	Life Investors Insurance Company Of America	3,836	1,572
17	Lincoln Heritage Life Insurance Company	0	0
	Massachusetts Mutual Life Insurance Company	256	339
	Metlife Canada	4,648	12,297

Ontario

		TOTAL COMPANY	
Total assets	Total liabilities	Excess of assets over liabilities	Net Income/ (loss)
$	$	$	$
5,121,228	3,900,497	1,220,731	24,541
471,632	427,485	44,147	9,667
61,951	43,002	18,949	2,057
237,927,497	188,695,329	49,232,168	7,605,174
53,129	16,002	37,127	2,162
75,944	22,107	53,837	5,380
206,684	112,451	94,233	3,798
138,829	42,688	96,141	13,651
174,716	66,675	108,041	20,411
6,622	126	6,496	615
33,473	21,525	11,948	(1,587)
565,233	323,695	241,538	42,021
72,950	61,157	11,793	3,358
21,745	15,710	6,035	1,104
5,391	0	5,391	(5,796)
2,271	1,490	781	(148)
129,257	106,573	22,684	1,435
1,225,877	510,233	715,644	112,922
17,863	4,525	13,338	864
53,180	30,385	22,795	3,608
165,748	66,188	99,560	5,476
0	0	0	0
15,893	6,444	9,449	(437)
13,974	3,142	10,832	820
39,885	23,469	16,416	(1,115)
186,062	108,962	77,100	11,444
0	0	0	0
23,198	8,461	14,737	1,695
367,887	323,323	44,564	4,824

LIFE INSURANCE COMPANIES

FINANCIAL SUMMARY

year ended December 31, 2006 (in thousands)

Note		ONTARIO BUSINESS Direct written premiums $	ONTARIO BUSINESS Benefits and payments to policyholders $
	BRANCH cont.		
	Metlife Insurance Company Of Connecticut	0	187
	Metropolitan Life Insurance Company	0	560
	Minnesota Life Insurance Company	140	170
	New York Life Insurance Company	23,024	6,610
	Pennsylvania Life Insurance Company	0	0
	Phoenix Life Insurance Company	0	27
	Principal Life Insurance Company	284	222
	Provident Life And Accident Insurance Company	0	0
	Reassure America Life Insurance Company	4	21
	Standard Life Assurance Limited	4,449	1,857
	State Farm International Life Insurance Company Ltd	0	0
	State Farm Life Insurance Company	90,534	41,494
	Stonebridge Life Insurance Company	30	11
	The Prudential Insurance Company Of America	1,045	3,471
18	The Standard Life Assurance Company 2006	10,188	81,515
	United American Insurance Company	377	353
	Washington National Insurance Company	304	20
		304,050	199,997
	TOTAL	16,234,181	11,949,039

Ontario

		TOTAL COMPANY	
Total assets $	Total liabilities $	Excess of assets over liabilities $	Net Income/ (loss) $
5,744	58	5,686	315
1,399,793	124,563	1,275,230	42,444
2,662	266	2,396	(110)
283,814	103,591	180,223	9,572
1,236	2	1,234	66
2,388	491	1,897	(60)
9,150	6,000	3,150	172
57,755	3,789	53,966	7,060
14,615	4,777	9,838	597
5,226	38	5,188	188
5,046	18	5,028	28
941,388	760,568	180,820	25,037
42,067	1,663	40,404	2,214
34,398	0	34,398	16,199
61,432	56,253	5,179	(23,005)
11,001	5,539	5,462	176
5,810	2,101	3,709	193
6,479,336	2,945,048	3,534,288	307,591
272,372,755	216,345,730	56,027,025	8,382,412

REINSURANCE COMPANIES

FINANCIAL SUMMARY year ended December 31, 2006 (in thousands) This table lists only those companies which are licensed solely for the business of reinsurance.	ONTARIO BUSINESS Premiums assumed $	 Net losses incurred $
Note **ONTARIO**		
Farm Mutual Reinsurance Plan Inc.	100,354	66,551
Global Reinsurance Company	240	6,177
	100,594	72,728
EXTRA PROVINCIAL		
Optimum Reassurance Inc.	33,280	4,164
	33,280	4,164
FEDERAL		
Anglo Canada General Insurance Company	104,898	40,859
Aspen Insurance Uk Limited	26,389	9,509
Munich Reinsurance Company Of Canada	186,798	82,609
RGA Life Reinsurance Company Of Canada	266,737	0
Scor Canada Reinsurance Company	33,139	20,942
Suecia Reinsurance Company	32	1,209
Swiss Re Life & Health Canada	256,625	0
Swiss Reinsurance Company Canada	87,103	5,945
	961,721	161,073
BRANCH		
Alea Europe Ltd.	162	1,080
American Agricultural Insurance Company	8,774	2,763
Axa Re	40,463	5,830
Caisse Centrale De Reassurance	17,615	17,973
Cavell Insurance Company Limited	5	(291)
Converium Reinsurance (North America) Inc.	12	(1,673)
Employers Reassurance Corporation	57,921	0
Endurance Reinsurance Corporation Of America	5,719	1,952
Everest Reinsurance Company	100,125	47,565
Folksamerica Reinsurance Company	5,527	96
Ge Frankona Ruckversicherungs- Aktiengesellschaft	1,814	0
General Re Life Corporation	0	0
Hannover Ruckversicherung AG	63,331	39,727

Ontario

TOTAL COMPANY

Total assets $	Total liabilities $	Excess of assets over liabilities $	Claims incurred to earned premium %	Net income/ (loss) $
556,842	366,023	190,819	87%	15,925
128,536	89,832	38,704	-1026%	6,554
685,378	455,855	229,523		22,479
273,296	240,135	33,161	n/a	5,936
273,296	240,135	33,161		5,936
538,447	415,830	122,617	56%	25,186
160,515	86,412	74,103	72%	4,723
1,315,693	1,002,002	313,691	54%	72,330
2,354,225	1,975,538	378,687	n/a	14,519
466,976	298,374	168,602	64%	12,726
10,698	4,781	5,917	3778%	(910)
2,760,096	2,486,439	273,657	n/a	79,107
973,955	853,680	120,275	23%	35,742
8,580,605	7,123,056	1,457,549		243,423
67,497	29,874	37,623	4313%	4,455
56,412	19,071	37,341	25%	8,322
1,272,510	956,616	315,894	41069%	31,290
153,256	111,832	41,424	59%	5,704
21,871	3,036	18,835	-5820%	602
39,838	5,183	34,655	-4700%	2,757
898,869	513,816	385,053	n/a	(17,946)
71,263	34,446	36,817	48%	2,077
623,667	460,859	162,808	57%	38,430
154,168	80,407	73,761	19%	10,799
42,989	7,077	35,912	n/a	7,436
8,467	1,992	6,475	n/a	(124)
488,178	295,746	192,432	47%	27,876

REINSURANCE COMPANIES

Ontario

FINANCIAL SUMMARY		ONTARIO BUSINESS
year ended December 31, 2006 (in thousands)	**Premiums assumed**	**Net losses incurred**
This table lists only those companies which are licensed solely for the business of reinsurance.	$	$
Note **BRANCH cont.**		
Mapfre Reinsurance Corporation	2,199	627
Munich Reinsurance Company	260,263	0
Nationwide Mutual Insurance Company	(5)	(915)
Nederlandse Reassurantie Groep N.V.	2	189
NRG Victory Reinsurance Limited	13	5,381
Odyssey America Reinsurance Corporation	40,347	27,937
Partner Re SA	43,955	15,168
Pohjola Non-life Insurance Company Ltd.	0	(70)
Reliastar Life Insurance Company	10,243	0
Scor Vie	2,095	0
Seaton Insurance Company	0	0
Soremа North America Reinsurance Company	0	(248)
Swiss Reinsurance Company	273,472	2,171
Terra Nova Insurance Company Limited	(29)	223
The Insurance Corporation Of New York	(4)	0
The Toa Reinsurance Company Of America	27,370	16,571
Transatlantic Reinsurance Company	84,544	35,735
XL Re Europe, Canada Branch	30,744	25,979
	1,076,677	243,770
TOTAL	2,172,272	481,735

Ontario

TOTAL COMPANY

Total assets $	Total liabilities $	Excess of assets over liabilities $	Claims incurred to earned premium %	Net income/ (loss) $
4,753	571	4,182	31%	2,332
6,001,734	4,699,700	1,302,034	n/a	86,838
14,392	6,466	7,926	n/a	527
4,645	1,779	2,866	n/a	(215)
14,648	7,193	7,455	72050%	(5,157)
222,060	133,983	88,077	60%	9,255
567,560	262,020	305,540	44%	20,163
2,264	365	1,899	n/a	18
117,490	69,749	47,741	n/a	4,928
258,657	192,952	65,705	n/a	(3,671)
7,471	1,416	6,055	n/a	185
44,982	2,275	42,707	-9043%	2,441
2,006,685	111,186	1,895,499	6%	89,944
44,347	22,230	22,117	-769%	1,718
14,988	980	14,008	0%	883
200,303	134,442	65,861	71%	8,136
771,480	603,865	167,615	50%	30,248
498,042	289,269	208,773	54%	20,310
14,695,486	9,060,396	5,635,090		390,561
24,234,765	16,879,442	7,355,323		662,399

RECIPROCAL OR INTERINSURANCE EXCHANGES

Ontario

FINANCIAL SUMMARY

ONTARIO BUSINESS

year ended December 31, 2006 (in thousands)	Note	Direct written premiums $	Direct claims incurred $
ONTARIO			
Canadian Lawyers Liability Assurance Society		33,356	9,008
Canadian Universities Reciprocal Insurance Exchange		8,884	5,621
Community Newspapers Reciprocal Insurance Exchange		72	166
Healthcare Insurance Reciprocal Of Canada		96,714	92,532
Municipal Electric Association Reciprocal Insurance Exchange		8,051	3,361
Ontario Municipal Insurance Exchange		34,408	22,487
Ontario School Boards' Insurance Exchange		33,445	26,558
Poultry Insurance Exchange Reciprocal Of Canada		405	(57)
		215,335	159,676
EXTRA PROVINCIAL			
Canadian Airports Reciprocal Insurance Exchange (Carie)		178	18
BRANCH			
Lumbermen's Underwriting Alliance		8,639	11,420
TOTAL		224,152	171,114

Ontario

TOTAL COMPANY

Total assets $	Total liabilities $	Excess of assets over liabilities $	Claims incurred to earned premium %	Net Income (loss) for the year $
116,797	105,968	10,829	59%	3,075
70,534	54,027	16,507	67%	5,332
815	208	607	136%	(140)
431,871	345,077	86,794	98%	18,700
38,248	14,636	23,612	41%	3,230
71,024	57,493	13,531	53%	11,916
160,505	121,278	39,227	86%	7,712
1,866	499	1,367	-17%	365
891,660	699,186	192,474		50,190
3,109	1,218	1,891	42%	(109)
105,835	62,130	43,705	67%	(3,650)
1,000,604	762,534	238,070		46,431

FRATERNAL SOCIETIES

FINANCIAL SUMMARY

year ended December 31, 2006 (in thousands)

Note		Direct written premiums $	ONTARIO BUSINESS Benefits and payments to policyholders $
	ONTARIO		
	Guaranteed Funeral Deposits Of Canada (Fraternal)	22,819	33,331
	Teachers Life Insurance Society (Fraternal)	8,275	4,736
	Toronto Police Widows And Orphans Fund	1,339	2,187
		32,433	40,254
	FEDERAL		
	Actra Fraternal Benefit Society	7,828	5,233
	Canadian Professional Sales Association	546	472
19	Canadian Slovak Benefit Society	0	0
20	Canadian Slovak League	0	0
	Lutheran Life Insurance Society Of Canada	10,474	11,426
	Sons Of Scotland Benevolent Association	868	420
	The Grand Orange Lodge Of British America	1,099	951
	The Independent Order Of Foresters	17,976	21,564
	The Order Of Italo-canadians	19	79
	Ukrainian Fraternal Society Of Canada	32	95
	Ukrainian Mutual Benefit Association Of St. Nicholas Of Canada	3	19
21	Workers Benevolent Association Of Canada	0	0
		38,845	40,259
	BRANCH		
	Aca Assurance	284	235
	Croatian Catholic Union Of U.S.A. And Canada	0	0
	Croatian Fraternal Union Of America	403	264
	Knights Of Columbus	72,573	28,057
	The Royal Arcanum, Supreme Council Of	835	49
	Ukrainian Fraternal Association Of America	26	96
	Ukrainian National Association	57	127
	United Commercial Travelers Of America, Order Of	49	33
	Woman's Life Insurance Society	216	313
		74,443	29,174
	TOTAL	145,721	109,687

Ontario

TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Net Income/ (loss)
$	$	$	$
180,339	177,658	2,681	673
40,519	35,224	5,295	266
63,680	55,000	8,680	2,214
284,538	267,882	16,656	3,153
60,805	42,335	18,470	67
28,542	19,522	9,020	532
0	0	0	0
0	0	0	0
302,815	268,305	34,510	0
13,425	10,954	2,471	139
20,946	18,140	2,806	259
4,867,355	3,671,012	1,196,343	33,233
1,432	863	569	146
6,874	5,726	1,148	(73)
4,948	3,877	1,071	(66)
0	0	0	0
5,307,142	4,040,734	1,266,408	34,237
29,361	16,635	12,726	69
0	0	0	0
11,571	9,977	1,594	426
1,553,209	1,288,761	264,448	22,297
11,955	8,521	3,434	449
4,070	2,180	1,890	34
10,623	6,332	4,291	120
4,641	2,929	1,712	42
10,169	8,497	1,672	426
1,635,599	1,343,832	291,767	23,863
7,227,279	5,652,448	1,574,831	61,253

Financial Summary Notes

1 No financial information was reported for Glengarry Farmers' Mutual Fire Insurance Company. Company amalgamated with Prescott Mutual Insurance Company to form Glengarry Mutual Insurance Company on January 1st, 2006.

2 No financial information was reported for Markham General Insurance Company in 2006. The company was ordered into liquidation effective July 24, 2002.

3 No financial information was reported for Prescott Mutual Insurance Company. Company amalgamated with Glengarry Farmers' Mutual Fire Insurance Company to form Glengarry Mutual Insurance Company on January 1st, 2006.

4 No financial information was reported for L'Unique General Insurance Inc. in 2006.

5 The former name of La Mutuelle D'Eglise De L'Inter-Ouest was The Mutual of Ottawa-Church Insurance.

6 No financial information was reported for Alta Surety Company in 2006. Company has been in liquidation since June 2002.

7 No financial information was reported for Granite Insurance Company in 2006.

8 Pilot Insurance Company became federally regulated on January 1st, 2006.

9 Scottish & York Insurance Co. Limited became federally regulated on January 1st, 2006.

10 The former name of Aviva International Limited was CGU International Insurance plc.

11 The former name of Munich Reinsurance America Inc. was American Re-Insurance Company.

12 No financial information was reported for Reliance Insurance Company in 2006 Company is in liquidation.

13 No financial information was reported for The Home Insurance Company in 2006.

14 No financial information was reported in 2006 for The Union Life, A Mutual Assurance Company.

15 No financial information was reported in 2006 for Confederation Life Insurance Company. Company has licence condition not to take on new contracts and it is being wound up.

16 No financial information was reported in 2006 for John Alden Life Insurance Company. Company was in process of winding down its operations.

17 No financial information was reported in 2006 for Lincoln Heritage Life Insurance Company. Company was in process of winding down its operations.

18 The former name of The Standard Life Assurance Company 2006 was The Standard Life Assurance Company.

19 No financial information was reported in 2006 for Canadian Slovak Benefit Society.

20 No financial information was reported in 2006 for Canadian Slovak League. The company has been inactive since December 31, 2003.

21 No financial information was reported in 2006 for Workers Benevolent Association of Canada. Company transferred its insurance policies and policy liabilities to Sons of Scotland effective January 1, 2004.

Ontario

Notes

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